

The Management Review

SEPTEMBER, 1952

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Employee**

**Municipalities and Industrial Location
The Human Bean**

**Here's What Your Workers Are Reading
White-Collar Compensation**

**You Can Get Along with Fewer Typists
Our Disappearing Resources—Danger
Ahead!**

Evaluating Air Freight

Fallacies That Limit Sales Success

Setting Up a Distributor Advisory Board

Self-Service—Challenge to Packaging

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AMERICAN MANAGEMENT ASSOCIATION

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M. J. DOOHER, Editor; BLANCHE DOLMATECH, Digest Editor

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General Management

MANAGEMENT AND THE PROFESSIONAL EMPLOYEE

PROFESSIONAL employees are the fastest-growing group in our work population today. At the end of World War II, 75 industrial companies had research laboratories of more than 100 professional people. At that time it was widely believed that this was a wartime phenomenon, but five years later, at the outbreak of the Korean War, the number of large research laboratories in American industry had almost doubled.

The scope of professional employment has also been widening steadily. In addition to the physicists who have entered industry so spectacularly these last few years, business today is employing thousands of biologists, geologists, and other natural scientists, and at least hundreds of economists, statisticians, and psychologists—not to mention lawyers.

At the same time professional manpower is the scarcest manpower in this country today—and is likely to continue very scarce for years to come. The major reason is the tremendous increase in the demand for professional people both by business and by government, coming just when there is a very sharp dip in the number of men taking professional training as a result of the low birth rates of the 1930's.

In view of this situation, one would expect industry to be doing its best to handle professional manpower efficiently. Yet attitude surveys of professional employees in industry show their morale to be relatively low; they apparently know little about the businesses with which they

are associated, and they complain continually about their "isolation." Also, studies of professional employee groups indicate a high degree of waste in the use of this high-grade, expensive, and scarce human resource.

Management can be blamed, if at all, only for insufficient imagination to see the problem for what it is. Actually the underlying difficulty is the difference in basic attitudes between professional people and the rest of the business organization.

For example, it is the essence of "professionalism" to apply objective standards of craftsmanship and accomplishment to one's work, rather than business criteria. Unfortunately, however, the professional man's attitude—his objectivity, his standards, his refusal to accept uncritically management's idea of what the result should be—is at such variance with the managerial attitude that at times the two appear almost irreconcilable.

Another difficulty lies in deeply ingrained working habits. The professional man has been trained—and rightly so—to work on his own. He does not, as a rule, take kindly to modern organization—especially large-scale organization. He may be willing, indeed eager, to be a specialist and to leave all but his specialty to others. But in his own field he is apt to insist on having complete control of the entire job.

The solution to this problem of basic attitudes does not lie in changing the professional employee's attitudes; the real

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task is to find how to use the professional employee effectively as a professional. The most practical approach is to identify the points at which friction is most likely to occur in the relationship between business and its professional employees, and then to try to "lubricate" these friction points so that they will cause less trouble.

A major point of friction, for example, is the administrative process. Professional employees do not fit into the administrative process—and the administrative process does not fit them. By and large the better a man is in his profession, the poorer an administrator he is likely to be. However, promotions to administrative positions are the only ones as a rule that business has in its power to give. This means that the promotion in a professional work group is likely to go to a man for whose professional abilities his fellow workers have little respect.

To solve this problem, we shall have to work out some way to give the senior positions in the professional group to the men who are the leaders in the professional field, regardless of their administrative ability. The administrative job itself might, following the practice of the government, be handed over to an "administrative assistant" who would not have any direct authority over the professional staff.

Closely tied in with the professional employee's attitude toward the administrative process is his dissatisfaction with the lack of professional recognition. In every professional-employee work group, there are men who enjoy the greatest respect on the part of their fellow workers—but who prefer to work by themselves. To promote such a man to a position of command means destroying both him and the job. Not to promote him to a position of recognition and authority, however, will

breed real discontent throughout the entire group.

Occasionally a company will solve the problem by employing a professional man as "special adviser" or "research consultant," with the prestige and pay of a senior position but without administrative duties. This, however, solves only the problem of the distinguished senior man. And it is the younger people who, as a rule, complain the most about the "lack of professional recognition." That need can be satisfied only by encouraging them to hold "prestige" positions outside the business—for example, part-time teaching assignments at universities or engineering schools.

A final point of friction is the matter of personnel administration. If there is one positive conclusion to be drawn from working with professional employees, it is that personnel administration, with all its policies, techniques, and procedures, must not be applied to the professional group. The professional employee regards their imposition as the very antithesis of professional status; and there is nothing that he resents more deeply. Conversely, nothing appeals so much to his idea of the status due him as does direct responsibility to work out for himself the personnel practices and procedures that concern him and his group. That business today imposes personnel practices on him is perhaps his greatest grievance.

It is clear that we have to "professionalize" the professional's job. The better we succeed, however, the more will we aggravate another major problem: the professional employee's isolation from the business.

It is obviously important for the company that its professional people have some understanding of the business and some interest in it. Integration into the

business is equally important to the professional man. However, few professional employees actually feel that they are part of the business. "We never know what management is after" is a standard complaint.

A solution to this problem might be to expose the senior people in the professional group to the facts of business life. They could be brought in on discussions of long-run policy, participate in decisions on the range of products, help to determine production programs, and so on. In larger companies, where direct exposure will be possible for only a few of the professional people, a more "formal" type of communication can be used. Fortunately, the professional employee seems to have the most favorable attitude of all employee groups toward company reports, informative letters from top management, and presentations of company figures—even long and weary ones. More than other groups, professional employees demand an opportunity to ask questions and expect long, detailed, and frank answers.

One of the most important and most effective contributions to better utilization and greater satisfaction of the professional employee is fairly easy: making sure that professional employees are really used for professional work. Thus one large company employing research engineers, physicists, and chemists was able to add the equivalent of 80 high-grade research

men to its staff—simply by studying the jobs of its research personnel and eliminating from them all clerical chores and all work that could be done by semi-skilled personnel. To relieve professional people of all merely clerical or routine work is not only good business; it is also the prerequisite for high morale in the professional organization.

In considering the difficulties and problems of the professional employee, it is well to remember that the growth in the number and in the importance of professional employees will be a major characteristic of the next quarter century of American industrial development, just as the rise in the number and importance of clerical employees characterized the last 25 years. The introduction of electronic "brains," for instance, would bring into industry a whole host of new professional men trained in disciplines of which most business men have hardly even heard, such as symbolical logic.

But even without additional growth there are enough professionals employed in American industry today to make it worth while for management to try to do a decent job in handling them and in utilizing their capacity for the good of business and the economy. Or will we again wait—as we did with the manual worker and as we may be doing with the clerical employee—until somebody holds a knife to our throat?

—PETER F. DRUCKER. *Harvard Business Review*, May-June, 1952, p. 84:7.

WE BUSINESS MEN gibe at the visionary schemes of professors "who never met a payroll," and they sneer at the lives of men who worship money. We get a little intemperate on both sides at times, for which we should be compelled to do penance, since nothing could be more certain than that we stand or fall together. The catastrophic struggle going on in the world * * * has reached such a crisis that neither one of us can survive without the other. Our skies are darkening with the clouds that have driven the sunlight of freedom away from both education and business in other lands, and there is no chance that here that sun will continue to shine on one unless it shines on both.

—CLARENCE B. RANDALL in *A Creed for Free Enterprise*

YOUR REACTION, PLEASE!

MOST of us have come to realize, often after the hard knocks of experience, that several minds are better than one. We put our ideas down on paper and submit them to those who may be affected and to our associates on whom we are relying for advice. But can we always count on our "Reactors"—our staff and associates—to respond with sound criticism of our proposals and to come up with suggestions that will help make our plans click?

If you're not getting the honest and helpful reactions you expect, the fault may be your own. You may not be stimulating your Reactors properly. In order to do this you must know something about the people with whom you deal. Generally speaking, Reactors may be classified as follows:

The Rubber Stamper: This is the fellow who gives your proposal a casual glance. He's busy—very busy. He'll pen you a note which usually reads: "This looks OK to me." When he's really pressed for time, it will say just, "Looks OK."

The Obstructionist: This Reactor is, by far, the hardest to deal with. Basically, this fellow's angry because he didn't think of your scheme first. And because he didn't, he's going to block your deal either by trying to shelve it or by substituting a proposal of his own. This probably won't be any better than yours, but it will be sufficiently different to get him into the act. The common cause for this obstructionist attitude is fear. He may be afraid that you're encroaching on his area or that the action you propose will limit his prestige or authority.

The Procrastinator: The draft of your proposal goes to the bottom of the large pile of papers on his desk. He works down

to it by acting on the things stacked on top. But, as usually happens, something more important to his area of the business and to him comes along. The result: your pet project won't get read for a week or a month. When it is finally found, still at the bottom of the pile, he's swept by a wave of conscience for holding it up. He gives it a quick "OK" and sends it along.

The Fly-Specker (Punctuation Picker): Don't be too critical of the Reactor who falls into this category—he usually tries. The difficulty is that he never shifts his mind into high gear to study your problem as if it were his own. But he will always pick out a misplaced comma or a misspelled word to prove it's been read.

The Timid Soul: This fellow, like the Fly-Specker, means well. He digs in and may come up with an idea or viewpoint that's just what you need, but he's afraid to give you his criticism straight from the shoulder. He thinks you might be offended or feel that he's taken a "sour grapes" slant on your idea.

The Ideal Reactor: He'd consider your problem as if it were his own, and he'd free himself from his own problems long enough to give it his full attention. Two basic attitudes guiding him would be: to give you the full benefit of all his experiences and thinking, and to give it completely and objectively. Besides, he'd act on your request as promptly as he could and allow you, in turn, to get the project finished on schedule.

Being able to recognize the kinds of Reactors you are looking to for help is only the first step. Armed with this knowledge, you're better prepared to deal with them. Here are some suggestions for getting their full cooperation:

Motivate the Reactor in a way that will get his full attention. Help him see why you have brought the problem to him—how it concerns him—why it's important to him. Make your covering memo tell and sell your story. Or, if possible, explain the problem in person. You—in person—are a better salesman than your memos.

Date your request and suggest the date by which you would like a reply. Of course, here you must be reasonable. If your own planning has been good, you should be able to allow each of your Reactors generous time. It isn't often that they can put everything aside immediately in your interest.

Follow up if you haven't had a response by the time you expect it. Your request may have been overlooked. More likely, your Reactor is bogged down and needs a time extension. At any rate, your follow-up will bring the matter to light and may help you get a quicker response the next time.

Anticipate obstructionism and plan accordingly. One way of doing this is to put the obstructionist near the bottom of your routing list; the weight of the other opinions may thus tend to check him. Also, give him special attention. Tell him what you're doing and why you're doing it. Try to find out why he may obstruct your efforts and allay the fears that may prompt him to do so.

—W. D. PAYN, *Manpower Management* (General Foods Corporation), January, 1952.
As reprinted in *Factory Management and Maintenance*, May, 1952, p. 216:5.

Convince your Reactors of the value of their help. Don't be guilty of asking for criticism with your tongue in cheek. If you have any "Timid Souls" on your list, they'll play right into your hand. Demonstrate your sincerity by the way you respond to their reactions. Keep an open mind, take what's offered, roll with the punches, and go back for more.

Route your idea to one Reactor at a time. You'll get quicker action if you avoid a "Route To" list which includes all your Reactors. Send the document you want criticized to one Reactor and ask him to return it to you. Then send it to the next critic, following the same procedure. With this system you'll know where it is at all times and be able to follow up accordingly. You'll get the ideas of each Reactor shortly after they're hatched and while they're still fresh in mind, should you want to discuss them.

Make the load as light as possible. If you are looking to some of your Reactors for criticism on only certain portions of the document, make this clear. Point out to each one the pages and paragraphs to which he should give his attention.

Step back and take a good look at yourself. Are you being the kind of Reactor to your staff and associates that you expect them to be? Remember the Golden Rule—it can produce results when applied here. And it's a lot easier to ask a favor when you have granted one.

The "Group Production" Idea

MANY BUSINESS MEN who would like to modernize, expand output, or take on new lines today are stymied by lack of adequate working capital. One group of small companies faced with this problem found a solution that may have potentialities for many types of producers.

Ten small and middle-sized coffee roasters in the east, south, and midwest

were confronted with the growing consumer demand for soluble coffees, now 12 per cent of the coffee market. The soluble coffees were made exclusively by the giant companies in the industry, because only the big outfits could afford the investment in plant and specially designed process equipment needed.

Under mutual agreement, these small firms have formed an organization called Tenco, Inc., each taking 10 per cent of the stock. Together they are equipping research laboratories and a new plant which will produce soluble coffee. Each member will ship his own blends of green coffee to the Tenco plant, where it will be processed and packed under his individual label.

The idea of joint research and production isn't new, of course. During World War II, some of the big gasoline companies marketed the output of one refinery under their separate brands. But generally, such projects have been backed by large companies. The Tenco plan is unique in that it seems to offer potentialities for small and medium-sized firms.

The Tenco plan minimizes what would otherwise be a heavy risk investment. Even if one of the companies could afford the initial investment, its beginning sales wouldn't warrant a volume operation. Joint ownership gives the members a chance to get into volume production which is economically justified by their combined requirements.

The joint plan also cushions the financial shock of obsolescence, which is a big problem for smaller manufacturers in industries where technical advances have been rapid. In addition, more extensive product research is possible through group financing. Large sums often have to be poured into the laboratory before research pays off. In Tenco's case, the medium-sized companies can keep abreast of their larger competitors on new discoveries. Also, by exchanging ideas at management meetings, the 10 firms are likely to attain know-how in a new field more rapidly than each could do on its own.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) 6/17/52

Executives "Accelerate" Their Reading Speed

AIDED BY A machine known as the "accelerator," members of the home office staff of Mutual Life of New York are proving to themselves that they can double their reading speed with no loss in comprehension. The first 50 employees to complete this reading course brought their average speed up from 270 to 420 words per minute, with some reading as much as 800 words per minute.

What does such acceleration in reading speed mean to the company? As far as management-level employees and executives are concerned, the faster rate of reading sharply cuts the time spent on paper work. It has been estimated that each member of top personnel must, to keep abreast of his office work, read $4\frac{1}{2}$ hours a day. This program, by increasing his rate of speed and improving his power of absorption, enables the executive to reduce that time by about $2\frac{1}{4}$ hours.

Material from books, magazines, and newspapers is used in the course's exercises and tests. The "accelerator" makes use of a shutter, whose speed can be set anywhere from 100 to more than 2,000 words a minute. This moves automatically from the top to the bottom of a page, line by line, compelling the reader to keep ahead of the shutter and preventing regression, a common fault among readers.

The course, which runs for 15 hours over a 10-day period, is currently being offered to top management. However, Mutual Life feels that its entire organization will benefit by the course, both on the job and in leisure activities. The company therefore plans to offer it to file clerks, statisticians, stenographers, secretaries, and other employees.

—*The Eastern Underwriter* 8/15/52

MUNICIPALITIES AND INDUSTRIAL LOCATION

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Of what significance is "the community influence" in the location of industrial plants under programs of expansion or decentralization? Several conclusions of general interest emerge from this study indicating the methods used by communities in two states to attract new industrial facilities.

THE YEARS following World War II have been characterized by a vast amount of industrial activity in the United States. The pent-up demand for goods and services which was built up during the period of hostilities burst upon the American industrial scene in the fall of 1945 with a force and an incidence that was completely unforeseen by even the most astute student of economics and finance. The demand for the products of the basic mineral and heavy goods industries exceeded their supply. The so-called "secondary industries" were also hard put to meet the demand for their goods and services.

As might be expected in a free enterprise economy, this increased demand for products has been met by the expansion of existing plant facilities and by the development of new enterprises. Though the end product of this postwar expansion staggers the imagination, the aggregate amount of new investment is not the only striking aspect of postwar industrial activity. Another aspect which is particularly significant to students of industrial economics is the "where" of the new expansion. Thus certain regions of the country have experienced economic development and expansion on a vast scale, while other areas have had but little industrial growth. The area bordering the Gulf has witnessed industrial expansion heretofore undreamed of. The Pacific Coast is undergoing an industrial

revolution which will affect the economy of the Coast for decades to come. Though industrial expansion in the Rocky Mountain states did not equal that experienced by the area along the Gulf or by the states bordering the Pacific, the growth in industry in these states was significantly large.

A rivalry—sometimes not too friendly—has emerged among the states for the new enterprises which have come into being during these postwar years. State government expenditures for industrial promotion have risen from less than two million dollars annually in 1941 to over twelve million dollars annually for the year 1950. Over three-fourths of the states have planning boards which undertake research activities on industrial development.

On the local level the various municipalities, through their Chambers of Commerce and other civic organizations, have undertaken promotion of new industrial activity with all the zeal of a Methodist revival minister. The great transportation and communication agencies and the labyrinth of private and public employment offices have made labor a relatively mobile factor of production. As a result, workers no longer need stay in a locality where work is scarce. Civic leaders have recognized increasingly that those same workers constitute the demand for the goods and services for many of their local operations and that to keep them

in the community new commercial and industrial operations are needed.

It may be stated almost as a truism that a manufacturer will locate his establishment where his aggregate costs can be minimized. Thus firms are customarily oriented to their markets, materials, or labor supply. Occasionally other factors, such as power, water, climate, etc., might exert the deciding influence, but usually the above three factors determine a firm's location.

How effective have been the promotional efforts of the various agencies which have sought new industrial operations? In attempting to answer this question, the writer undertook a study of the orienting factors of location for 116 new manufacturing enterprises which initiated operations in the states of Colorado and Utah during the period from January, 1946, through April, 1951.¹ The writer believes that 90 per cent of all new postwar manufacturing units in Colorado and Utah employing 10 or more workers have been included in the study. The major part of the data concerning location policies as evidenced by new industrial operations in these two mountain states was gathered by personal interviews with the owners and managers of the firms. Several other, less direct sources of information were utilized—i.e., officers of labor unions in these two states made important contributions, as did the civic leaders in these different communities. The results of the survey and conclusions appear below.

AVAILABLE SITES

If a firm is not oriented in its location by some dominating influence, it is possible that the location pattern may be

governed by the availability of a desirable site or buildings. In the reconversion period following World War II, with the great growth in the production of consumption goods, many firms were handicapped in their expansion programs by lack of space. In attempting to expand in an already highly industrialized area, entrepreneurs of many of these firms found that room for expansion was in short supply and, secondly, that the cost of expansion in some metropolitan districts was almost prohibitive. As a result, states and local communities which sought new manufacturing enterprises stressed the presence of desirable sites in their respective communities.

World War II left a legacy of buildings and equipment on army installations in Utah and Colorado. Where possible, communities involved have leased these installations from the government and have in turn made them available to private industry at favorable rental figures. In Colorado the two largest new firms in terms of employment are Julius Hyman and Company of Denver and the Triplex Corporation of Pueblo. These two corporations were located in the state because of the availability of facilities used by the armed services during the war.

In Colorado community assistance in the acquisition of buildings for manufacturing operations has played an important part in the relocation of a number of other firms which sought sites in Colorado following the War. The headquarters of the Nestle Candy Company was moved to Colorado in October, 1950. Though the primary reason for the location in Colorado was alleged to be that of "decentralization" of company operations, the fact that the Chamber of Commerce in Colorado Springs provided a building for rental by the company was a pre-

¹ This study was submitted to the Economics Department of the University of Colorado as a doctoral dissertation in July, 1951.

requisite for the move. Mr. G. M. Loeffler, vice president of the company, told the writer "Any city would have done the same thing for us. An available building was a necessity, and without it we would not have considered a move."

A Development and Construction Corporation was established in Boulder to erect a building to house the Esquire-Coronet subscription office. After the company was convinced that the western location would be successful, they purchased the building from the locally organized corporation.

Officials of a number of other firms included in the study noted that even where the primary orienting influence was other than that of site or buildings, a relocation move might have been negated had these facilities not been made immediately available for rental or purchase. Thus in Colorado community effort to affect location policy through the medium of available building facilities has been singularly successful. No other community promotional activity has been more fruitful than the proffering of housing accommodations to potential enterprises.

FINANCIAL BONUSES FOR LOCATION

No location was made in Colorado or Utah because of a "bonus" paid, though five firms of the 116 included in the study received gifts of money or property for locating in particular communities. These gifts ranged in amount from a few thousand dollars to a top of \$37,000, which was given one relatively large firm for locating its plant in Colorado.

A bonus payment has been viewed by company representatives more as a token of community good will than as an important factor influencing location. An

official of one company which received a gift of \$16,500 from a Colorado city for establishing a plant in that community and making wage payments of at least \$85,000 over a period of five years said: "Actually, this donation to us by the people of amounts to a very small proportion of our building costs and cost incurred during the first few months of plant operation. We regard this sum more as an expression of community good will toward us. They must feel that we can do them some good and they apparently are willing to meet us half way."

The city of Longmont, Colorado, deeded a seven-acre tract of land valued at \$3,200 to the Gibson Tractor Company upon the inception of operations in Longmont by the company. After the production of tractors was well under way, the company paid the city for the land and noted that the Gibson Company did not want to be indebted to the people of Longmont.

One city in Colorado, which has attracted a number of "foot-loose" concerns, has provided a financial bonus to several of the larger new firms in the city. An official of the Chamber of Commerce stated that "We wouldn't give any Tom, Dick, or Harry a bonus for locating here, but if a firm is one with a good reputation and can provide a payroll of some size, we are not against helping them out with their moving and settling expenses." These monetary considerations by themselves did not induce the firms to locate in this city. They were, however, very expressive of this community's feeling toward particular kinds of industrial activity, and therefore served as an encouragement.

It is entirely possible that initiation of operations might take place even without any contribution by the community. Rep-

representatives of the municipalities may see a firm which will employ many of their people. Perhaps the enterprise in question is considering several alternative locations. A display of willingness to shoulder a portion of the moving and buildings costs may be just enough added inducement to direct the location to one of the communities. Thus, though no locations were chosen by firms because of bonus payments, Colorado cities have, nevertheless, been driven by the competition for industries to offer a premium for location.

"COMMUNITY ATTITUDES" AND LOCATION

Though "community attitudes" *per se* induced no industrial locations in Utah or Colorado, the community response to new operations was considered an important factor in creating a happy social and economic environment for these activities.

The purchase by the United States Steel Company of the government steel mill at Provo, Utah, in 1946, and the initiation of steel production under private ownership were greeted in all corners of the state of Utah with the greatest enthusiasm. Irving S. Olds, Chairman of the Board of Directors of the United States Steel Corporation, said: "The warmth and magnitude of the welcome which has been accorded to us by the people of Utah is inspiring and highly pleasing to the directors of United States Steel. You may rest assured that we will endeavor to the best of our ability to make the Geneva project a success. In so doing we are most anxious to conduct ourselves as good citizens of Utah and generally to manage our affairs so as to advance the best interests of Utah and the West."

Probably no municipality in either

Utah or Colorado has put forth more effort to create a favorable atmosphere for new firms than has the city of Colorado Springs, which has succeeded in attracting many new industrial facilities. When the headquarters of the Nestle Candy Company was moved to Colorado Springs, approximately 120 members of the company were permanently moved to Colorado. Officials of the company cannot forget the warm welcome accorded them by the city. Each member of the company and his family were met at the railroad depot by individual hosts, and they were escorted to their new homes or apartments, which had been secured for them by the civic officials of the city.

ADVERTISING AND LOCATION

Attention has been drawn to several of the larger cities in Colorado and Utah through the publication of stories of interest about these metropolitan districts in magazines having a nationwide circulation. The members of the Industrial Committees in the cities concerned regard this publicity as a very useful promotional device. However, the success of this type of advertising is limited by its irregularity.

Several of the smaller cities in the state of Colorado have initiated letter-writing campaigns in an effort to attract the attention of industry to their industrial virtues. The Industries Committee of Fort Collins, for example, has adopted the "shot gun" approach. One letter is mailed daily from the office of the Secretary of the Chamber of Commerce to a firm selected at random from a national listing of firms. The enterprise selected may be located anywhere in the United States. No attempt is made to classify or choose the recipient of the letter. Thus far approximately 500 letters have been

posted. Replies have been received from only 25 establishments. No relocation to Fort Collins has yet taken place by any of the firms to whom letters have been addressed. A more promising approach to the problem of securing manufacturing and processing industries for the region has been the so-called "rifle" approach. In a number of Colorado cities, Industry Committees have directed their information only to concerns which indicated an intent to relocate or establish a new branch of the company. The Colorado experience has indicated that an alert, aggressive Industry Committee is an invaluable asset in such an approach.

No location was made in Colorado or Utah primarily because of advertising. However, the virtue of industrial promotion through advertising is that it calls attention to the community as a possibility for any relocation program. Without such information a migrant firm may

never know of the industrial potentialities of the communities concerned.

CONCLUSION

The findings of this study indicate that attempts to influence industrial location are most effective if they are directed to relatively "foot-loose" firms rather than to firms strongly oriented to some particular location factor. Promotional endeavor is largely wasted if it is directed to firms which must for competitive reasons locate at the source of raw materials and the community in question does not possess the required materials. The postwar experience in promotional ventures by communities in the mountain states of Colorado and Utah has indicated that firms which are oriented to the labor factor, firms which locate on the basis of the desirability of the region as a place to live, and firms which premise their location on the basis of markets may be influenced by community activity.

Technique for Problem-Solving

THE HEAD of a large research organization uses a technique which might be employed more generally in business. When a difficult problem is encountered, no matter how sure he is of the approach or the solution, he calls his associates together, outlines the problem, and asks, "Have you any experience to draw on that would be helpful, or any practical ideas on the subject?" The meeting is not allowed to degenerate into a talk-fest. Every man realizes that he must be brief and to the point.

By first calling on his associates for their ideas and clearing their minds, this executive prepares them to receive his own plan or solution. On the other hand, if any of them has a better idea, he promptly substitutes it for his own, giving the individual due credit. Thus he has built an organization of exceptionally open-minded men who think well and work well together.

Unquestionably much valuable experience goes to waste in many organizations that could be salvaged through this technique.

—*Management Briefs* (Rogers, Slade & Hill) No. 51

A COMPANY'S BEHAVIOR must be as good as its literature claims. As one expert warns, "It is of little avail to have the factory walls decorated with portraits of Abraham Lincoln if Ivan the Terrible is walking up and down the aisles."

—CHARLES E. WILSON

YOUR BUSINESS AND CANADA

THE UNITED STATES and Canadian economies are so closely linked that Canada—as a supplier, market, and field for investment—must be recognized as an important consideration in American business planning. In 1951 the United States accounted for 65 per cent of Canada's imports and 59 per cent of her exports—and we sold more than \$2.8 billion across our northern border.

Canada's geographical location and great resources make it inevitable that she will eventually become the major supplier of many basic materials for United States industry. Already one of the world's leading mineral producers, Canada supplies 80 per cent of the free world's nickel and 70 per cent of its asbestos; it ranks fourth in production of copper and lead, second in zinc, and first in uranium and platinum. And its enormous resources are only beginning to be tapped. A \$250 million iron ore development program underway on the Labrador-Quebec frontier, for example, makes it probable that this area will some day replace the Mesabi range as the main source of our iron ore; an oil and natural gas boom in western Canada promises to turn Alberta into a second Texas.

In addition to supplying us with an increasing amount of raw materials, Canada can often help out with components when Washington's material curbs restrict United States output. Many United States companies are using this source of supply. For example, under-carriages for Republic Aircraft are made by Fleet Aircraft in Ontario. Thompson Products has sub-contracted jet engine components to its Canadian subsidiary. And the surface has just been scratched. Available items include aluminum forgings and castings,

copper wire and mill products, radiator cores, electrical equipment components, and brass mill products.

Canada is also important to us as an area for investment. Last year about \$800 million flowed into Canada—at least half into industrial development. Reinvestment of profits by American-owned firms was probably even greater. Total United States investment in Canada is now about \$8 billion.

There are many reasons why American capital has been willing to finance Canadian development:

1. The political climate is favorable. The two major parties are highly sympathetic to private enterprise and have conservative government economic policies.

2. In general, the country is eager to accept American investment and gives it complete freedom and full equality with Canadian enterprise.

3. There is no ban, such as exists in most other countries, on taking out profits.

4. The tax structure is generally more favorable than in the United States. There is no excess profits tax and no tax on capital gains (although in some cases American citizens and corporations may have to pay tax to the United States government on capital gains realized in Canada). The top corporate tax bracket is 45.6 per cent as compared to 52 per cent in the United States. Depreciation rates are particularly favorable for industries which are considered important to the country's development.

5. Cheap electric power is available in large quantities.

Canada also provides a market for all kinds of American goods, from capital

equipment to luxuries. Moreover, trade with Canada involves few of the difficulties usually associated with foreign export. Business can be done on usual domestic terms—discount for cash within a given period, rather than by letter of credit.

Here are some of the factors that make trade with Canada particularly attractive:

1. English-speaking Canadians have been conditioned to United States products and marketing methods through our magazines, which have a wide circulation in Canada, and through American radio and television programs. There is therefore little need to modify your product and selling techniques to suit a "foreign" market. (This is not equally true in French Canada, where the buying psychology is different.)

2. The abolition of Canadian exchange controls and import curbs means that Ca-

nadians can buy freely anything they want from the United States.

3. As the Canadian dollar has climbed to parity with the United States dollar in the last few months (and even higher), American goods have become cheaper in terms of Canadian money. This has given United States producers an edge over the local Canadian competition.

4. The Canadian standard of living is high—ranking next to that of the United States: 10 out of 13 homes have electricity; five out of seven have telephones; 19 out of 20 have a radio; seven out of 10 have washing machines and three out of five families own a car.

5. The rising standard of living has sparked growing demand for luxury items, and retail experience indicates that there is a definite need for new products and new fashions.

—*Foreign Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), April 2, 1952.

Industry Helps Educate the Educators

COLLEGE STUDENTS often fail to understand what makes the American economic system tick. Their knowledge of industry and business operations, government-business relations, and the value of certain freedoms is limited. College economics teachers, too, often have these failings, complicated at times by suspicion of the system.

These facts, revealed by surveys made by the American Council on Education and by Opinion Research, prompted Case Institute of Technology, Cleveland, to attempt remedial action. The medicine is being administered first to the college professors.

Case recently invited 50 economics teachers from as many colleges to participate in a six-weeks "Economics in Action" program. The course was designed to provide the participating professors with a close-up study of the economics of American business. It included field trips to industrial plants, financial institutions, wholesale and retail establishments and provided the teachers with the opportunity to meet executives of many business enterprises in the greater Cleveland Area. Weekly dinners and smokers provided an opportunity for business men and teachers to swap views and to discuss theories. In addition to close-up contacts with business and business men, the program included lectures by top-ranking economists.

All the benefits of the program did not derive to the teachers. Many a business man received some new ideas and occasionally a rude jolt in the give and take with the professors.

—*Steel* 7/28/52

Also Recommended . . .

WHERE ARE YOU GETTING YOUR 1962 EXECUTIVES? By J. R. Clarke. *Production Engineering & Management* (Box 1, Birmingham, Mich.), July, 1952. The aim of the executive development program in effect at the Southwind Division of the Stewart-Warner Corporation is to have at least one man ready and one man nearly ready to fill possible key-spot vacancies. This article describes the selection and training methods employed. Assignment of each man to a counselor and provision for job rotation are among the plan's features.

WHAT BUSINESS MIGHT BE LIKE 10 YEARS FROM TODAY. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 24, 1952. This article presents the results of a study dealing with the probable growth in the next ten years of the national economy and also of certain key industries. Among the predictions made is that the gross national product will rise 16 per cent by 1961, the population will go up 14 per cent, and consumer expenditures will increase by \$50 billion. Also, although nearly every industry shows substantial potential for expansion, the chemical process and electric power and manufacturing industries will probably top the rest in their rate of growth.

THE CASE AGAINST BIG BUSINESS. By George J. Stigler. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), May, 1952. Professor Stigler believes that two fundamental criticisms may be leveled against big business: It has and uses monopolistic power, and, in the popular mind, it justifies bigness in government and organized labor. The alternative to big business, he warns, is government regulation or ownership, yet no such drastic remedy is needed to deal with the problems it creates. Merely breaking up the giant companies would go a long way toward reversing the trend toward governmental control and preserving our private-enterprise system.

FAST-READING COURSES TAKE EXECUTIVES BACK TO SCHOOL. *Business Week* (330 West 42 Street, New York 36, N. Y.), April 5, 1952. Because of the ever-increasing amount of reading their jobs require, many executives are enrolling in courses aimed at improving their reading speed. This article describes the techniques used in two such courses, both of which stress individual instruction.

SPECIAL PRIVILEGES FOR EXECUTIVES? By John F. Sembower. *The Rotarian* (35 East Wacker Drive, Chicago 1, Ill.), June, 1952. This article presents the views of executives from all over the world on the question of whether top management is entitled to special privileges. The consensus seems to be that the executive is entitled to those so-called privileges which enable him to do a better job and that, in order to maintain good employee relations, the executive should use good judgment in accepting and exercising these privileges.

LIMITATIONS OF THE BUSINESS EXECUTIVE AS GOVERNMENT ADMINISTRATOR. By Leo Fishman. *The Journal of Business of the University of Chicago* (Chicago 37, Ill.), April, 1952. It is the general consensus, the author points out, that experience as a business executive especially qualifies a man for a job as government administrator. Although there are some similarities between private enterprise and business which support this view, the objectives and basic problems of each are sufficiently dissimilar to make such experience largely inapplicable, the author feels.

RECRUITING AND MAINTAINING MIDDLE-MANAGEMENT MANPOWER. By F. L. Larkin. *Edison Electric Institute Bulletin* (56 and Chestnut Streets, Philadelphia 39, Penna.), Vol. 20, No. 2. This article describes the program in effect at Wisconsin Electric Power Company for selecting and developing middle management—from foreman to department head. The first, and one of the most important steps in the program, is a management inventory, aimed at producing a balance sheet of present middle management manpower. This inventory calls for the rating of the individual by his peers and supervisors and the use of a battery of five objective tests which measure intelligence, judgment, personality, vocational preferences, and supervisory attitudes.

LEADERLESS GROUP DISCUSSION: WHAT IT IS, HOW IT WORKS. By James F. Bender. *Sales Meetings* (13th and Filbert Streets, Philadelphia 7, Penna.), April 1, 1952. This article describes how the leaderless group discussion works, traces its growth, and shows, through the presentation of a case history, how it can be used both to train executives and to select salesmen. The chief value of this method, the author points out, lies in the opportunity it presents to see and judge candidates in their relations with others.

Personnel Management

THE HUMAN BEAN

EDWARD C. SCHLEH

Management Consultant

A SHORT TIME ago I was walking through a metal stamping department. As I came by a punch press, I noticed that Tony, the operator, was angry about something. He was talking so loud that he could be heard even above the bang of the press. The words I seemed to catch were "human bean."

This tickled my curiosity. I had to go over and ask him what was wrong. Tony was eager to talk—in fact, he was boiling over. It seemed that the assistant superintendent of the shop had just come by. He was an ambitious and smart young engineer. He had told Tony that the old presses were going to be replaced by a wonderful new automatic press that would do twice as much work. The engineer enthusiastically pointed out that this would eliminate two presses and save the company a lot of money. Eventually all the old presses would be eliminated. Tony, who was proud of his ability to work the press, asked how he would come out. The engineer said he didn't have to worry—that they had other jobs—lower, of course—that he could take.

And, the engineer continued, the company was being very fair—it wouldn't lay off any operators because of this change. In addition, all would keep their rates of pay. The company would "carry" the excessive rate because it was recognized "that each man was a human being."

"Huh," said Tony. "Here I learna da press so I'm a good pressman. I lika da

press. I don't wanta do other work. I worka for what I get. I no wanta no company to carry me on a relief job and dat young college man he say that's a treatin' me like a 'human bean.' I ask you—is data treatin' me like a 'human bean'?"

I went back and told the assistant superintendent about my talk with Tony. He was astonished. He just couldn't understand it. Here the company was "leaning over backwards" and still Tony couldn't see it. What was the matter with Tony?

Or, should we ask, what was the matter with the assistant superintendent?

I asked him what he would say if he were made a plant manager after a number of years—then an electronic control system were devised that made possible push-button operation of the plant. There would be no further need for a plant manager. But his company president told him he didn't have to worry. He would get the same salary even though he would only have to push a few buttons and sweep up the place. What do you suppose his reaction was? That's right. The one you always hear—"Oh, but that's different!" The thing he didn't see was that to Tony it *wasn't* different.

Don't we all do this? Somehow, whatever happens to us has all the earmarks of a unique problem. We can easily see where something is wrong when it affects us. It seems hard to see this as clearly in

another man's case, though. I wonder if this isn't the source of a lot of trouble in many plants. There are many presidents, for instance, who can't see that a man should be proud of his work at a machine—as proud as a president is of his work. Such a president understands why a chief subordinate wants the title of vice president. But he can't understand why Jack, on a maintenance crew, resents still being called a helper after eight years on a job. "After all," the president says, "we're paying more than other firms on that job."

The other day I was in a chemical plant and the treasurer indicated that he was unhappy about his employees. "Why don't people work the way they used to? By gosh, they want everything. They don't have a sense of responsibility any more." Word had just come to him that half the office force was either late, or not actually working as much as twenty minutes after 8:30—the starting time.

I sympathized, "That's terrible." How would he handle it? What caused it? He said it was just the times. He was going to clamp down. I asked him what time he got in. He admitted it was 9:00 or 9:30, but he assured me that was different. I asked him why. He said that he worked a lot of extra hours that more than made up for it. I asked him, "Honestly—isn't the reason you come at 9:00 or 9:30 the fact that you don't want to get up so early and you 'like the idea'? The other people do, too. Anyway, won't many of your supervisors feel it's a sign of executive status to come late? Do you think their employees think *that's* different?"

I remember a vice president of manufacturing who was angry about employees' walking away with tools and boxes of product. Didn't they realize they were "stealing" from the company? What was the matter with them, anyway? I

admitted that this was a problem, but asked if it wasn't natural if they could get away with it. He said, "No. They shouldn't do it. It's the same as any burglarizing." I asked him if he had ever had the machine shop make a shelf or bracket for his home; or if he had ever entered the cost of a drink under "meals" on his expense account, even though his company had a policy against this. "Yes"—he said it too—"but *that's* different."

One time I happened to meet a superintendent who had just had a bad day. He was returning from a meeting on a sit-down strike. The engineers had laid out a rearrangement of a major department which could mean a big saving. It would also mean that almost every man in the department would have to move and change his work somewhat. They installed the change, but things just weren't working right. Everybody was slowing down—they wouldn't work into the new system. Here he was confronting management with a big expense and could show no increase in production from it. He just didn't know what those "damn unions" had done to people. They ought to realize this change would help the company and anything that would help the company would make jobs more secure. I agreed it was a deplorable situation. It was unfortunate that people so resisted change. Then I asked him how he felt the day the layout man suggested that his office be in the middle of the plant to make him more accessible instead of being in the "general office." He had the familiar answer. *That* was different.

But I guess the good old days were different. We generally think of them with a nostalgic sense of how much better people were in those days. For instance, the time I walked into a food company and the president was stewing about the

big demands of the unions these days. He said they had already given them "everything." They had given them all kinds of increases. Wages were way up! Fringes were way up! They had bonuses and still they wanted more and more and more. Years ago, he said, they didn't get that much. Why, he remembered the time he was on the cooking machine. He didn't get a third as much as they were getting today. Why, compared to the amount he got in those days they were way overpaid and they just didn't realize it. I asked

him, "Isn't your salary today bigger than it ever was before?" He admitted it. I asked, "Do you think you're overpaid?" He looked at me and said, "Why, that's different."

Yes, I guess what "they" do is always different. In fact, that's what makes them human beings. But how much easier it would be if we could really see that the other guy is a human being—whether he is an operator, a clerk, a salesman, or an executive.

Work Stoppages During 1951—An Analysis

NO LONG NATION-WIDE or industry-wide strikes occurred during 1951, and, in general, stoppages in 1951 were of somewhat shorter duration than in earlier postwar years. Consequently, total idleness caused by such stoppages dropped to 22,900,000 man-days—the lowest figure since 1944. Average strike duration during the year was 17.4 days, compared with 21.8 to 25.6 days during the years 1946-1949 and 19.2 days in 1950. The 4,737 work stoppages beginning in 1951 were slightly fewer than the 4,843 recorded in 1950.

Total workers involved in 1951 stoppages numbered 2,220,000. There were 19 stoppages in 1951 involving 10,000 or more workers. These stoppages idled approximately half a million workers and accounted for almost 6 million man-days of idleness—a fifth of the total number of workers and a fourth of the man-days of idleness involved in strikes of all sizes. These proportions were well below comparable figures for any earlier postwar year, however, when large stoppages accounted for at least half the man-days of idleness in all strikes and lockouts.

Organized labor's demands for increased wages and related benefits were the predominant causes of strikes in 1951. However, the restraints established by federal wage-stabilization policies, as in World War II, caused a shift from demands for higher wage rates to demands for "fringe" adjustments (e.g., vacation and holiday pay, shift differentials, and overtime pay). In 1950, 462 stoppages (9.5 per cent of all strikes) occurred over these issues; in 1951, 647 stoppages (13.7 per cent of the total) were in this group. Pensions and/or social-insurance proposals, which were important strike issues during 1941 and the first six months of 1950, caused only a minor proportion of total strike activity in 1951.

—*Monthly Labor Review* 5/52

THIS MORNING'S HANGOVER cannot be blamed on your mother's pampering 30 years ago, nor can the unresisted urge to have a few too many drinks be attributed to the fact that as a child you were misunderstood or dominated by your father. The American Business Men's Research Foundation, Chicago, reports that three recognized scientists, after weighing the results of 37 different investigations of personality traits involved in alcoholism, concluded that any kind of personality can become an alcoholic—that alcoholism is not determined or related to generic personality traits.

—*Office Executive* 6/52

HERE'S WHAT YOUR WORKERS ARE READING

"How many of you are familiar with or regularly see the union newspapers that your employees read?"

When this question was posed at a recent convention of 100 company presidents, considerably less than half the audience raised their hands. The speaker had hit upon a conspicuous management blind spot. Too many business men are unaware of the scope and influence of the labor press, and too many are inclined to dismiss union periodicals as mere "propaganda" sheets.

Today's labor press is a hard-hitting opinion builder. It is an articulate force of 800 union weeklies, semi-monthlies, and monthly publications with a combined circulation estimated by the unions at 30,000,000. While some are local periodicals resembling country weeklies, an ever-increasing number of labor journals are slick, thoroughly professional, and capably written. Admittedly dedicated to labor's cause, they present all news—from consumer buying hints to politics—from labor's viewpoint. They name labor's friends in local, state, and national politics and wage a ceaseless battle to get out the vote—for labor's friends.

In content and technical quality, the labor press has come a long way from the 400 to 500 labor newspapers, with a claimed circulation of 10,000,000, in the thirties. Monthly magazines, like the *Machinists Monthly Journal* and the *Bakers and Confectioners Journal*, compare favorably in appearance and editorial quality with business trade magazines, while the leading national weeklies and twice-monthly newspapers, like *CIO News* and the *Machinist Weekly*, are workman-like tabloids with a wide variety of general as well as labor features.

National in scope, these publications long ago achieved mass distribution. *International Teamster* has a monthly circulation of 1,250,000; *Labor*, a weekly circulation of 750,000; the *Machinist* goes to 700,000 readers each week; *Butcher Workman's* monthly circulation is 200,000; *Advance*, official organ of the Amalgamated Clothing Workers of America, CIO, reaches 375,000; and the United Steelworkers' *Steel Labor* puts its circulation at 1,110,611.

Of almost equal importance and effectiveness in reaching and influencing readers are the many crusading city and state newspapers. Unlike the national labor publications which carry no advertising, being supported by subscriptions, they carry all the advertising they can get, including political advertising. However, they have to be subsidized from union funds. Some have a small subscription charge while others are distributed free.

The labor press has become accustomed to being called biased and misleading. The average labor editor, on the other hand, devoutly believes that the general press is equally biased and misleading—its sympathies lying, according to the argument, with advertisers, which means "business." Typical of the labor press attitude is the slogan of the *Detroit Labor News* on its masthead, "The Side of the News the Dailies Refuse."

Political news, which is the predominant subject in virtually all labor publications, is served up in two-fisted style. A typical Labor Press Association story reads:

"WASHINGTON (LPA)—CIO President Philip Murray promised 'a fight down the line to defeat reactionaries and elect labor-minded' legislators in 1952, as the CIO issued a list showing how Sen-

ators and Congressmen voted on major issues in the Horsemeat Congress."

The story then catalogued voting records on 10 major issues, with the comment, "Here are the Senators who voted for high prices, the rich man's tax bill and other laws for the wealthy, and there isn't a surprising name among them." The good list was headed, "Senators who voted for the people and against the special interests."

Does the average working man believe what he reads in his union newspaper? In a report to a University of Wisconsin conference of labor editors, Professor R. O. Nafziger indicated the answer is "yes." When 200 readers of two labor papers in Toledo were interviewed recently, 84 per cent said they think labor papers are more truthful than daily papers on union affairs, 73 per cent think news stories in the labor press present facts accurately, and 82 per cent think labor papers are doing a good job of explaining world affairs as well as labor affairs.

Many labor editors, however, are not so sure that they are going over with their readers. And Editor Irwin Klass of Chicago's *Federation News* believes that company publications are generally more attractive and readable than union periodicals. However, the unions are doing more than just wishing for more readable publications. Many have hired recognized craftsmen to improve their publications.

—BETTY SAVESKY. *Commerce*, July, 1952, p. 13:6.

Also, local labor editors are improving their craftsmanship at frequent editors' conferences held by various universities.

Labor papers are generously sprinkled with cartoons, but they are probably no more caustic than the editorial cartoons of the general press. This is in marked contrast with the material appearing in the labor press several decades ago. In 1919, *The New Majority*, always friendly to the Russian experiment, printed the Soviet constitution in full. Today only a few leftwing labor papers still exist. The great majority of the labor press is vigorously anti-Communist and anti-Socialist. Many a cartoon is based on the if-you-lived-in-Russia theme.

Several times in the past, unsuccessful attempts have been made to launch a national labor paper. This experience has not dampened the enthusiasm of AFL and CIO unions which are now seeking to establish a national daily newspaper for labor to be called *The National Reporter*. Its backers say the new paper will serve labor "as the Wall Street Journal serves those on the other side of the bargaining table." Supporting the project is the Newspaper Union's Publishing Company, started by AFL and CIO unions during a strike of Pittsburgh dailies last year. Indications are that *The National Reporter* is hoping to get into print before election time.

NOVEL WAYS TO RECRUIT WORKERS: Souvenirs and giveaways play a large part in the white collar recruitment campaign of The American Telephone and Telegraph Company. To lure applicants AT&T uses book matches with messages on inside covers; handy pocket address books with recruiting copy on the inside pages; stickers on mirrors in employee rest rooms asking employees to recommend their friends; napkins in employee cafeterias imprinted with recruiting messages; blotters describing job openings.

—LAWRENCE STESSIN in *Forbes* 8/1/52

EMPLOYEE BENEFITS: 1952 DEVELOPMENTS IN A TYPICAL COMMUNITY

WHAT'S HAPPENED on the industrial labor relations front during the past 12 months? Have companies liberalized vacation programs? Have they relaxed holiday requirements? Has shift differential pay gone up? What about insurance and pensions? The union security issue? Management can find the answers to these questions and many others in a survey report recently published by the Associated Industries of Cleveland.*

A total of 312 manufacturers in the Greater Cleveland area (whose industrial make-up is said to be fairly representative of the country as a whole) contributed data to this annual study. On their combined payroll are approximately 190,000 non-exempt white- and blue-collar employees, or almost three-fourths of the city's total industrial workforce. The average Cleveland firm employing 1,000 or more people, according to the survey, today spends approximately 30 cents an hour on such fringe benefits as insurance, pensions, vacations, holidays, and shift differentials. And the cost to smaller employers has gone up proportionately. Here are some developments shown to have taken place in the past year.

Vacations. Although the survey indicates that organized labor has had little success in securing three-week vacations for workers, inroads have been made on the custom of giving one week for one year's service and two weeks for five years. For example, 84 firms reported that they gave vacations (generally three

days) to workers having less than a year's seniority. And many companies have adopted a sort of escalator arrangement regarding vacations during the past twelve months, though two weeks (10 working days) has remained constant as the maximum.

Holidays. More than 255 firms—about 85 per cent of the total reporting—replied that they gave the standard six paid holidays. One interesting fact: Management is beginning to relax its eligibility requirements—as many as 26 companies said they had none at all. However, 186 firms still insist that the employee work the day before and the day after a holiday and that the holiday be a regularly scheduled workday. A total of 191 firms will pay for the holiday if it comes during a worker's vacation period.

Hospitalization. Management has liberalized its hospitalization program considerably during the past year. Only 14 companies, or 4.6 per cent of those covered by the survey, reported that their employee relations program did not include this benefit. It must be quickly pointed out, however, that many small firms provide only the administrative machinery and the worker pays the full cost of the premium. The trend seems to be in the direction of coverage for the worker's dependents, but it is still definitely a minority practice.

Group Life Insurance. Group life insurance protection has been a key issue in collective bargaining during the past year. It is being pushed hard, particularly by affiliates of the CIO. Companies that pay the total cost of insurance are usually

* *Management Labor Relations: A Handbook of Applied Personnel Practices in Cleveland, 1952.* The Associated Industries of Cleveland, 805 NBC Building, Cleveland 14, Ohio. Supplied to AIC members; may be purchased by manufacturers outside Ohio, if sufficient copies are available, at \$10.00.

in the large-employer category. Normal practice is to grant protection on a contributory basis—that is the policy with 134 of the reporting firms. However, 77 companies pay the total cost, and the amount of insurance coverage has increased. A total of 174 employers give group life protection of \$1,500 to \$5,000, with the majority in the \$1,000-to-\$2,000 class.

Pensions. Fifty-one per cent of the firms replying to the questionnaire grant no pension benefits. However, companies giving work to more than 1,000 people are generally setting up pension programs, and managements in the 500-to-1,000-worker classification are being pressed to make retirement arrangements for employees. The favored program is a trustee plan using insurance, but 20 firms self-insure their retirement program, 14 use group annuity, and 10 provide for profit-sharing. When a program is negotiated through collective bargaining, its coverage is usually broader; in other words, a worker does not have to have as much seniority to qualify and it may not be stipulated that he be a certain age. Pension benefits are still based on length of service plus earnings as a general rule and provide anywhere from \$50 to \$150 a month. The average is \$100.

Election Day. Despite union pressure, management apparently has maintained the position of prior years that Election Day is not a paid holiday. And the frequently heard union demand for "time off with pay" to vote has been consistently turned down at the bargaining table. Just 10 per cent of the companies covered in the study give time off with pay, and most of them limit it to two hours.

Overtime. Unions have made progress in persuading companies to pay time and a half for Saturday and double time for

Sunday as such. Formerly it was time and a half for the sixth day worked and double time for the seventh. However, union effort to pick up triple time for worked holidays has met little success. Exactly 10 per cent of the reporting firms have agreed to this practice.

Shift Differentials. The cost of shift differentials has gone up. Whereas two years ago a company was likely to pay 5 cents for the second shift and a maximum of 10 cents for the third, today 7 cents and 10 cents are not unusual.

Union Shop. The CIO, particularly the UAW-CIO, has fought hard for the union security clause in 1952. And it has made progress. For example, of 48 firms doing business with the UAW-CIO, 15 reported that they had signed a maintenance-of-membership agreement with the union; 26 have granted the union shop; and 2 have combination shops. Only 5 companies have avoided signing a union security clause of any kind.

"No Strike" Provision. In return for union security, companies are demanding more responsibility from labor; 92 companies said that they had exacted a comprehensive "no strike" pledge from their unions, and 61 others reported contracts containing "no strike" clauses limited to authorized strikes only.

Escalator Clause and Improvement Factor. Despite the demand of unions to tie wages to the cost of living, only 63 managements reported that they had agreed to do so on a formal basis. The majority are in the larger-plant category. And the improvement factor is definitely a big-company practice. Exactly 27 companies have accepted this idea as policy. They are usually in the more-than-500-employee classification; actually, most employ more than 1,000 workers.

Noontime Movies Boost Morale

AT THE BELL & HOWELL COMPANY, Chicago, a noontime movie program has proved an effective means of raising employee morale, reports D. M. Goldsmith, General Production Manager.

Originally inaugurated as a device for luring personnel out of the lunch room, which presented a capacity problem, this program has become so popular with plant personnel and has proved such a valuable medium for providing information and entertainment that its initial purpose has long since lost its prominence.

Lunch periods are staggered throughout the organization at 12-minute intervals beginning at 11 o'clock. An attempt is made to release numbers of persons at each of the 12-minute intervals so that they can be readily absorbed in the cafeteria line without excessive waiting. Beginning at 11:24 and every 12 minutes thereafter, a movie is run in the training room, which seats about 120 plus about 75 standees. The movies are continued until 12:48, the last movie finishing at about 1 o'clock.

The films are informational and entertaining and are generally produced by manufacturing or sales organizations. They are available through distributors, such as Modern Talking Picture Company, which supervise the distribution and maintenance of these industrial prints.* Generally there is no cost to the user other than a report of the size and nature of the group viewing the picture.

There are also many extremely beautiful sound-color movies available from such transportation organizations as Pan American, United Airlines, and the major railroads.

* A list of films suitable for industrial use and their distributors is available upon request to the AMA Information Service.

Supervisors Join Panel for Grievance Review

AT THE Rock Hill Printing and Finishing Company, Rock Hill, South Carolina, two supervisors, in addition to the general plant superintendent and the personnel director, are members of a special panel whose purpose it is to review each grievance submitted to the personnel director before it is discussed with the union's shop committee. In the process of review, all of the details involved in each grievance are carefully considered. Then the panel decides what the company's position ought to be.

In addition, the two supervisory members of the panel attend all grievance and arbitration sessions, as well as contract negotiation meetings. During these meetings, they serve in an advisory capacity to the personnel director.

Membership on this panel is rotated among all supervisors in the company.

—*Management Information* (Elliott Service Company, 30 N. MacQuesten Parkway, Mt. Vernon, N. Y.) 3/31/52

AN EFFECTIVE PLAN to buck today's annual 25 per cent bank turnover by reviv- ing the human touch has been developed by Manufacturers Trust Company, in New York City. A committee representing top management and staff was formed for the sole purpose of hearing "gripes" at special branch-bank sessions. Employees air complaints to the committee in the absence of supervisors, then submit requests for improvements. The committee weeds out feasible ones and meets them installed.

—*Personnel Executives' Newsletter* (Deutch & Shea, Inc., New York, N. Y.) 7/16/52

CHOOSING AND TRAINING SUPERVISORS— ONE PLANT'S SOLUTION

THE STREATOR, ILLINOIS, PLANT of the Owens-Illinois Glass Company has a plan for the development of supervisors that merits consideration by everyone. Each supervisor is asked to pick out hourly-paid men in his department who seem to be potential foremen. To aid in the selection of such men, eight criteria are considered:

1. Not less than five years' departmental experience.
2. Married.
3. Not more than 35 years of age.
4. World War II veteran.
5. High school education.
6. Score on adaptability test.
7. Former union or club officer.
8. Score on personality test.

It is not necessary that a man qualify

—*Personnel Newsnotes* (Owens-Illinois Glass Company, Toledo, Ohio), June, 1952.

under every heading, but attention is given to all eight factors.

Then a training program is planned for each man. It takes into consideration what kind of experience he has had and what he will need to become a foreman in his present department. The training consists of visits to other departments to watch their work, talk to them about it, and write up reports of observations. The typical course requires 30 to 60 days. At the end of the course the plant manager has a talk with each man and gives him an opportunity to select whatever trade journal would interest him most. He receives it free for one year.

Through the use of this plan, every department has a backlog of promising men so that openings at the foreman level are filled with forethought.

HOW TO SIMPLIFY EMPLOYEE READING

WHAT may be ABC to management is often Greek to rank-and-filers. This is particularly true where the terms of pension plans and group insurance programs are concerned. Surveys show that the distribution of the verbatim texts of pension and group insurance plans does very little to create employee understanding of how these benefits operate.

Perhaps the most effective way to explain health and welfare and pension terms is to give them to employees in small doses. This can be done through question-and-answer meetings between management and employees or by run-

ning sections of the text serially in the house organ or on the bulletin board. Globe Ticket Company, for example, makes use of the latter approach to explain its pension plan to employees. On the right-hand side of a single sheet of paper it runs the actual text of its pension articles; on the left are one-sentence digests written in language employees can understand. (See illustration.)

You can use this method for clarifying any complex document. It gets attention and—best of all—the simplified version gets read and spurs employees to ask questions on those matters they still don't understand.

PENSION TRUST AGREEMENT

In Other Words . . .

Every employee is eligible to be in the plan on the January 1 following his employment.

Permanent means working more than 20 hours a week and five months or more a year.

Transfer between any Globe Company does not affect your service record in plan.

Employee leaving and later re-employed takes date of latest employment record.

Exception is service in Armed Forces or leave with written consent of the Company.

All employees participate on the same basis.

ARTICLE III

Eligible Employees

Every permanent employee employed by Corporation on January 1, 1950 shall be a participant in this Plan on that date. Every permanent employee of Corporation employed after January 1, 1950 shall be a participant in the Plan on the anniversary date following his employment. For the purposes of this paragraph "permanent employee" means one customarily employed by Corporation for more than 20 hours in any one week and for more than five months in any calendar year.

Employment by one of the Corporations party hereto shall be deemed employment by any of the corporations in the event an employee is later employed by another of the Corporations.

An employee whose employment by Corporation has been severed and later resumed shall be deemed a new employee as of the date of his re-employment.

Employment shall be deemed continuous although an employee has either been a member of the Armed Forces of the United States (provided he shall have returned to active employment with Corporation within 90 days following his release therefrom) or has been on leave of absence with the written consent of Corporation for a period not exceeding six months.

Officers, and directors who are also employees, shall be eligible to participate in this Plan on the same basis as other employees.

How Globe Ticket Co. serializes its pension plan so that employees can easily understand the provisions.

—*Employee Relations Bulletin* (National Foremen's Institute), July 16, 1952, p. 15:2.

Room Service

WHEN EMPLOYEES of the Raytheon Manufacturing Company (Waltham, Mass.) want to find a new place to live, they get an assist from the personnel department, which lists rooms and apartments for rent, as well as homes for sale. It also tries to find the kind of neighborhood the worker wants. In the case of a new home, Personnel checks to see whether the investment is likely to increase or to depreciate.

—*Supervisor's News Service* (Bureau of Business Practice) 8/4/52

Also Recommended • • •

WHEN WORKERS KNOW WHY. By Merryle Stanley Rukeyser. *Nation's Business* (1615 H Street, N.W., Washington 6, D. C.), June, 1952. One way of safeguarding the free enterprise system is to sell employees, by means of special economic training courses, on the value of the system to society and to them as individuals. Mr. Rukeyser discusses some of the economic training programs used by various companies and provides an evaluation of their effectiveness.

MEASURING THE EFFECTIVENESS OF THE TRAINING PROGRAM. By Raymond A. Katzell. *Proceedings of the Ninth Annual Industrial Relations Conference* (Industrial Relations Center, University of Minnesota, Minneapolis 14, Minn.), April, 1951. Management can make an intelligent decision on whether to expand, curtail, or revise a training program only if it has some means of determining the program's worth. The judgment of experts as to whether the program is properly designed, the opinion of trainees as to the program's worth, and the measurement of improvement in the trainees' performance are three ways, described in this article, of arriving at this evaluation.

TAKE A PERSONAL LOOK AT YOUR EMPLOYEES. By Lydia G. Giberson. *Office Executive* (132 Chelton Avenue, Philadelphia 44, Penna.), May, 1952. Good human relations in industry are the supervisor's responsibility, for it is he, in the long run, who will determine if the worker's need for justice, status, opportunity, and security will be satisfied. The author discusses the qualities of a good supervisor and lists 10 basic rules for good human relations in industry.

WHY THEY QUIT. By Dr. Earl P. Strong. *Training and Holding Employees* (Personnel Group, National Retail Dry Goods Association, 100 West 31 Street, New York 1, N. Y.), 1951. Two surveys were made of Illinois retail employees, with findings which should have significance for many other industries. The first, a survey of 3,000 retail employees who voluntarily left their jobs during 1949 and 1950, showed that 75 per cent could have been dissuaded from leaving. Employees' reasons for leaving fell into four main categories: threats to security; threats to status; lack of job satisfaction; and personal. A second survey, on employee attitudes, disclosed lack of recognition of employees as individuals and poor employee communications.

BUILDING A COMPANY WITH ENGINEERING GRADUATES. By E. G. Bailey. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), June, 1952. The author outlines in detail an industrial training course for young engineering graduates developed by the Bailey Meter Company of Cleveland. The selection of graduates, the training procedure, staff growth, and company policies are discussed and graphically illustrated. Training courses such as this, it is pointed out, enable industry to make full use of the potential skill, inventive genius, and ability of young engineers.

SERVICE AWARD PROGRAM A BIG FACTOR IN IMPROVING EMPLOYEE RELATIONS. By Burton Briggs. *Boston Business* (80 Federal Street, Boston 10, Mass.), June, 1952. Recognition, achievement, and incentive awards—especially in the form of emblems—are an important factor in good labor relations. The author lists the objectives of employee awards, the kinds of awards most frequently used, and occasions warranting them. The various company experiences which he cites indicate that properly programmed and exploited awards will help win the worker to a greater loyalty to the employer and to his job.

WHO CAN "GUARANTEE" WAGES? *The Guaranty Survey* (Guaranty Trust Company of New York, 140 Broadway, New York 15, N. Y.), April, 1952. An analysis of the guaranteed annual wage philosophy and a report of surveys on the subject by the Bureau of Labor Statistics and The Brookings Institution. One conclusion: Insofar as the hazard of unemployment is reflected in wage rates, it is passed on to the consumer (including the worker himself) in the price of the product. Therefore, wage-earners cannot wholly escape the impact of cyclical unemployment; the most they can do is to transfer a share of the risk to other groups—mostly other workers.

THE NATIONAL APPRENTICESHIP PROGRAM. (Bureau of Apprenticeship, U. S. Department of Labor, Washington 25, D. C.), 1952. Gratis. This booklet outlines the origin, standards, and policies of the National Apprenticeship Program and explains how the program works. It also provides a list of the 300 skilled occupations in which apprentices are employed and indicates the amount of time required to complete an apprenticeship in each occupation.

Office Management

WHITE-COLLAR COMPENSATION: A STUDY OF SALARY LEVELS, TRENDS, AND DIFFERENTIALS

FREDERICK W. MUELLER

Regional Wage and Industrial Relations Analyst,
New York Regional Office, Bureau of Labor Statistics

THROUGH THE MEDIUM of community wage surveys in 40 cities during the past 12 months, a substantial body of current information is now available on occupational salary levels and working conditions for office clerical workers.

This latest round of surveys provides a rich source of material for analysis in a number of fields. Of most general interest, perhaps, are occupational salary relationships, intercity and interarea variations in salaries, and fringe benefits. These items will be considered as fully as the confines of a short article permit. By means of surveys undertaken in previous years, it is also possible to study briefly the movement of office clerical salaries during the past several years.

BACKGROUND OF THE STUDY

The 1952 series of surveys—the largest number ever undertaken by the Bureau of Labor Statistics—is the continuation of a program started in 1948. In that year, office clerical studies were made in 10 cities, including New York, Chicago, Boston, Atlanta, and San Francisco. The following year, pilot community wage surveys were undertaken in five small cities, while the office-worker studies were continued in a number of larger cities. The

community wage surveys differ principally in that indirect plant occupations were included in addition to office occupations. Gradually, the two types were blended so that, in 1951 and 1952, all office-worker statistics became a part, although a major one, of the larger undertaking. By 1952, the community wage program was able to embrace most of the major metropolitan areas of the country. The geographic scope of this program is probably best indicated by a simple listing of the cities surveyed in the 12 months ending June 30, 1952:¹

New England: Boston, Hartford, Providence, Worcester.

Middle Atlantic States: Albany-Schenectady-Troy, Allentown-Bethlehem-Easton, Buffalo, Newark-Jersey City, New York, Philadelphia, Pittsburgh, Rochester, Scranton, Trenton.

South: Atlanta, Birmingham, Houston, Jacksonville, Memphis, New Orleans, Norfolk-Portsmouth, Oklahoma City, Richmond.

Middle West: Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Kansas City, Louisville, Milwaukee, Minneapolis-St. Paul, St. Louis.

¹ Separate bulletins for most of the cities have already been published. The balance are now being printed. These bulletins are for sale through the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., or through the Bureau's New York City office, located at 341 Ninth Avenue, New York 1, N. Y.

The views expressed in this article are the author's, not necessarily those of the Bureau of Labor Statistics.

Far West: Denver, Los Angeles, Phoenix, Salt Lake City, San Francisco-Oakland, Seattle.

The selection of clerical occupations to be included in the surveys was, and continues to be, a major consideration in the entire program. In the face of thousands of different kinds of jobs, it was manifestly impossible to include all of them. In reducing the job list to manageable proportions, it became necessary to develop selection standards. These standards, designed to solve the survey technician's problem, are of interest to the data user in providing the framework for judging the scope of the surveys. In order to maximize the value of the surveys to a community, the clerical occupations were restricted to those that existed in a considerable number of different kinds of business activity. Thus jobs peculiar to certain businesses—for example, the position of bank teller—were excluded. Diversity is the next standard. This applies both to skill level and function. To obtain a well-rounded structure of clerical salaries, various grades of work must be considered as well as different types of duties. It was also considered desirable to select occupations that are recognized peg points in job evaluation. Finally, it was recognized that the list of jobs must be amended from time to time in recognition of technological change. The recent introduction of the job "key-punch operator" was an acknowledgment of the rapidly growing use of electronic tabulating equipment.

TREND OF WHITE-COLLAR EARNINGS

Generally satisfactory measures are available to trace the trend of earnings of factory workers, particularly in manufacturing industry. Very frequently, in recent years, these trends have been mirrored against the cost of living to

determine the trend of "real" earnings. Unfortunately there is no yardstick now available to permit accurate measures of earnings changes among office clerical workers. By means of some rather rough calculations, however, it is possible to make one or two broad generalizations. For a small number of cities for which clerical salary surveys have been made regularly since 1948, it appears that salaries from the beginning of 1948 to the beginning of 1951 rose somewhere in the neighborhood of 15 per cent. For the same cities, the Consumers' Price Index (popularly, the cost-of-living index) advanced between 5 and 10 per cent. These figures indicate that the more rapid increase in salaries has brought about an increase in real earnings for the period which has probably persisted to the present. This generalization, while providing some indication of salary movements, casts no light on salary levels for which composite data are unavailable. It is further noted that while a salary rise of 15 per cent in three years appears somewhat impressive, it is just the equivalent of an annual raise of \$2 a week for a clerk who earned \$40 a week in 1948.

OCCUPATIONAL SALARY RELATIONSHIPS

Basically, salary differentials for different occupations are a recognition of different skill levels if it is agreed that such factors as experience and responsibility are a form of skill. Other factors undoubtedly have some bearing on differentials and may occasionally be of primary significance, but by and large skill is the keynote.

Method of Computation. An attempt has been made to portray the extent of occupational pay variations in Table 1. The computation of these figures perhaps deserves a word of explanation. The

figures beneath each city heading² are indexes. In the case of men, the base used was office boys' salaries; for women, office girls' salaries were used. These positions were selected because they constitute the basic labor grade of office employment. To illustrate, the figure "192" for men hand bookkeepers in Boston means that their weekly salaries were 192 per cent of office boys' salaries, or 92 per cent higher. The median column is obtained by arranging all of the indexes for an occupation in ascending order and picking out the middle one. This method has a number of technical drawbacks, but it does permit a reasonably accurate basis for generalizations.

Number of Occupations Covered. Before attempting to discuss salary relationships, it should be noted that the number of occupations for which data are available for men is considerably smaller than that for women. The occupational pattern used by the Bureau of Labor Statistics in its community wage surveys yields information on a smaller percentage of men office workers than of women. This is true for two reasons primarily. First, a greater proportion of men are employed in occupations at higher skill levels than the surveys attempt to encompass. Second, there are relatively more men than women in jobs that are highly specialized within a business and thus would not fit into jobs that are "cross-industry" in nature. Because of these conditions, statements on salary relationships for the men's jobs are, of necessity, less complete.

Salary Spreads Among Men. The outstanding feature of the median averages

for men in Table 1 is the width of the gap between the basic office boy's job and virtually all those above it. Hand bookkeepers' salaries are 89 per cent above the base. The middle-skill jobs such as accounting, payroll, order, and general clerk are closely clustered between 60 and 70 per cent above the office boy. Duplicating machine operator, a relatively low-skilled job at 21 per cent above, is the only one that is at all near the base.

Pattern of Women's Jobs. Among women's jobs the pattern is quite different. Although office girls rather than boys are used as a base, this difference has little real significance, since in almost all the cities average salaries for the two jobs were closely similar. In contrast to the situation among men, and despite the much larger number of occupations, the salary spreads were noticeably narrower. Women hand bookkeepers were the highest above the base, 60 per cent compared to 89 per cent for their male counterparts. Nor was there any clustering anywhere near this peak. Secretaries, at 58 per cent above office girls, constituted the only other occupation near the top. Perhaps the most significant feature of the salary relationships among women's jobs was the heavy concentration among the middle-skill levels. Eighteen of the 24 occupations ranged between 19 and 40 per cent above office girls; 13 of these, or more than half of the total number of occupations, were within the narrow spread of 19 to 30 per cent above the base.

From these facts, two main items of significance emerge. First, there is the clustering of a large number of occupations whose functions vary widely. For example, the range of duties covers such diverse activities as comptometer operators, class A file clerks, general stenog-

² It will be noted that varying numbers of cities have been used in different places in this article. This is brought about by the fact that the bulletins for all 40 cities surveyed in fiscal year 1952 are not yet available. In all cases, however, the number of cities was sufficiently large to provide a rounded picture.

TABLE 1
INDEXES OF AVERAGE WEEKLY SALARIES* FOR SELECTED OFFICE OCCUPATIONS IN 29 CITIES, SEPTEMBER, 1951-MARCH, 1952

Occupation and Sex	NEW ENGLAND				MIDDLE ATLANTIC						SOUTH				
	Hartford		Providence		New York		Buffalo		Philadelphia		Pittsburgh		Newark-Jersey City		Rochester
	Boston														
Men:									Office Boys = 100						
Bookkeepers, hand	192	171	187	214	204	218	204	204	191	186	184	194	185	184	211
Clerks, accounting	181	151	172	189	172	193	172	172	158	156	154	197	179	185	184
Clerks, general	161	129	158	169	172	193	172	172	170	156	154	197	179	185	171
Clerks, stenographic	176	134	165	163	164	165	164	164	159	152	153	187	156	167	163
Clerks, payroll	178	144	178	176	178	188	178	178	188	173	172	176	149	160	164
Duplicating machine operators	107	107	100	124	100	115	100	100	111	155	159	193	190	179	181
Office boys	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Tabulating machine operators	164	129	152	169	156	161	167	158	158	145	159	194	179	182	170
Women:									Office Girls = 100						
Billers, machine (billing machine)	121	128	122	134	126	129	117	129	111	124	128	120	138	115	137
Billers, machine (bookkeeping machine)	119	122	133	146	121	112	108	123	106	131	117	130	127	117	137
Bookkeepers, hand	156	153	154	179	154	172	158	169	138	149	161	157	169	135	166
Bookkeeping machine operators, class A	139	157	136	151	154	143	130	139	123	142	144	151	141	133	140
Bookkeeping machine operators, class B	119	111	116	129	114	122	116	121	107	122	127	121	131	111	122
Calculating machine operators (comptometer type)	125	128	122	138	126	133	122	139	117	127	138	130	143	115	142
Calculating machine operators (other than comptometer type)	117	122	125	134	132	132	124	125	111	120	128	109	125	128	128
Clerks, accounting	126	123	129	133	129	132	124	125	111	120	128	109	125	128	128
Clerks, file, class A	121	123	129	138	129	132	124	125	111	120	128	109	125	128	128
Clerks, file, class B	144	120	143	147	143	145	137	144	132	154	154	157	150	141	151
Clerks, general	124	124	123	132	137	136	136	124	112	127	128	117	136	109	132
Clerks, payroll	138	137	129	147	139	139	136	124	112	127	128	117	136	109	132
Duplicating machine operators	115	121	121	121	121	117	109	115	109	143	148	136	148	127	149
Key-punch operators	122	117	116	125	132	129	117	124	115	116	138	133	141	119	123
Office girls	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Secretaries	156	169	151	171	165	168	157	165	145	162	172	153	177	163	177
Stenographers, general	129	132	125	137	136	136	134	132	126	135	147	141	149	145	145
Stenographers, technical	136	136	136	158	156	158	143	155	107	114	120	103	121	99	126
Switchboard operators	128	121	120	136	128	129	121	132	112	114	125	119	134	112	136
Switchboard operators-receptionists	122	121	120	134	121	123	114	125	112	114	125	119	134	112	136
Tabulating machine operators	138	133	133	146	146	143	142	139	127	138	145	153	151	131	135
Transcribing machine operators, general	124	126	122	133	126	130	128	124	117	127	151	124	139	125	142
Typists, class A	129	142	126	134	137	130	120	127	116	124	138	121	136	116	131
Typists, class B	110	118	107	116	114	110	104	112	104	104	118	104	115	104	117

Occupation and Sex	MIDDLE WEST								FAR WEST				Median
	Chicago	Cincinnati	Cleveland	Detroit	Indianapolis	Kansas City	Milwaukee	St. Louis	Minneapolis	Denver	Salt Lake City	San Francisco	Seattle
	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100	Office Boys = 100
Men:													
Bookkeepers, hand	183	187	204	209	185	189	203	189	197	190	172	178	188
Clerks, accounting	158	167	159	185	158	167	179	168	173	178	144	156	164
Clerks, general	163	172	163	175	166	168	191	178	180	154	145	153	167
Clerks, order	161	155	159	163	155	168	166	168	166	162	149	169	161
Clerks, payroll	157	161	161	168	159	177	157	171	169	159	165	161	157
Duplicating-machine operators	121	117	117	117	121	121	126	108	134	125	100	100	121
Office boys	100	100	100	100	100	100	100	100	100	100	100	100	100
Tabulating-machine operators	156	163	166	170	155	147	171	170	163	156	100	100	163
Women:													
Billers, machine (billing machine)	125	130	124	126	120	127	114	128	126	136	123	120	119
Billers, machine (bookkeeping machine)	118	136	128	130	129	115	124	137	126	129	125	120	125
Bookkeepers, hand	160	169	169	172	167	173	154	149	164	170	159	155	160
Bookkeeping-machine operators, class A	147	144	135	149	147	141	135	135	136	138	132	142	131
Bookkeeping-machine operators, class B	119	126	121	119	116	122	111	117	119	129	113	119	112
Calculating-machine operators (comptometer type)	131	131	131	138	129	129	118	129	133	133	130	126	119
Calculating-machine operators (other typewriter type)	128	127	129	131	121	116	116	128	128	155	121	128	129
Clerks, file, class A	129	137	133	135	128	132	124	129	132	135	127	128	124
Clerks, file, class B	128	131	126	130	124	122	123	115	123	120	115	119	124
Clerks, general	101	106	103	100	101	99	100	101	106	109	99	104	103
Clerks, order	137	146	131	140	149	134	134	139	133	128	135	124	122
Clerks, payroll	120	134	127	130	125	126	118	131	132	130	112	124	111
Clerks, general	137	140	136	146	141	133	126	131	141	135	138	129	136
Duplicating-machine operators	114	113	112	114	114	111	115	113	116	121	117	104	114
Key-punch operators	124	126	123	128	121	125	121	125	123	133	129	121	124
Office girls	100	100	100	100	100	100	100	100	100	100	100	100	100
Secretaries, general	157	173	158	167	161	156	155	155	161	162	151	155	158
Stenographers, technical	134	140	135	142	136	134	121	127	132	138	128	128	134
Switchboard operators	175	131	134	135	122	116	135	149	143	137	109	134	137
Switchboard operators, general	125	124	124	127	121	121	114	113	125	120	123	117	122
Tabulating-machine operators	131	136	147	132	143	126	134	139	145	126	117	134	147
Transcribing-machine operators, general	124	124	126	123	121	119	120	120	130	129	117	123	118
Typists, class A	131	133	131	136	132	126	126	128	130	126	120	114	126
Typists, class B	112	114	109	110	109	107	104	109	113	117	109	103	109

* These indexes show the relationship among weekly salaries of selected office occupations in the various cities. Occupational averages in each city have been expressed as percentages of the city average for office boys (men's occupations) and office girls (women's occupations). Earnings data relate to salaries for the normal workweek excluding pay for overtime and nightwork.

raphers, and switchboard operators. Second, there is the moderately small differential between these jobs and the base job.

Significant Contrast. This pattern is in rather sharp contrast to the relationships among men's jobs, as can be seen in the following tabulation directly derived from Table 1:

	Medians	
	Men	Women
Bookkeepers, hand	189	160
Clerks, accounting	168	129
Clerks, general	167	136
Clerks, order	164	125
Clerks, payroll	169	137

The same gradation of skill level applies to both sexes. Hand bookkeepers are first, followed by payroll clerks. The only variation, and that minor, is the reversed position of accounting and general clerks. Despite the similarity of skill gradation, the men range from 64 to 89 per cent above base, whereas the women range from 37 to 60. This difference in pattern is even more pronounced if hand bookkeepers are eliminated. Then the range would be 64 to 69 for men and 25 to 37 for women. It is noted that the variation occurs in occupations requiring special skills or experience or both. At the inexperienced levels of office boy and girl, salaries are about the same.

Reasons for Variation. The surveys, designed to portray factual conditions, do not attempt to explain the cause or causes for this pattern variation. A number of factors, however, probably have a strong bearing. Women, for the most part, have a much higher turnover rate and thus are likely to remain at or near the basic salary for a job. Conversely, men—with less turnover—have a greater tendency to advance to the top of salary ranges. Secondly, men are career-oriented to a much greater degree than women, who for the most

part are in the labor market for a few years only, and, therefore, men are given greater degrees of responsibility even within the limits of a common job description. Both of these factors have a direct bearing on a third cause. Higher-paying firms tend to attract and retain men. Thus they will have a greater proportion of men than women in these occupations, whereas lower-paying firms will have no alternative except to hire relatively more women, with the result that over-all area averages for men will be higher. A more exhaustive study of this problem would undoubtedly produce additional causes.

Three Skill Levels. Among both sexes the medians show that salary relationships throw the occupations into three rather clear-cut skill levels. The basic level of office boy or girl also contains a number of other occupations which are just a niche or so higher. Included in this group are class B file clerks, class B typists, and duplicating-machine operators. The middle levels contain the bulk of the occupations for both men and women. This group, regardless of functions, is characterized by a moderate amount of formal training—high school and/or business-school training and usually, but not always, previous work experience. The top groups consist only of hand bookkeepers and secretaries. The former would ordinarily have had either long experience or else a substantial amount of formal training. Secretaries usually advance through the general-stenographer ranks, but the training period need not be a lengthy one.

FACTORS IN INTERCITY SALARY VARIATIONS

Although fairly clear-cut intercity and interregional salary patterns may be discerned, they are by no means a complete indicator of individual worker welfare on the one hand or a basis for managerial

estimates of white-collar labor costs on the other. Several items have particular relevance in this connection.

1. *Differences between two cities or areas in average salaries for a given occupation or composite of occupations do not necessarily imply that the same job in the same industry is compensated differently.* A city average is based on the salaries paid in all of the city's industries. As different industries may be either high-paying or low-paying, it can be seen that the industrial composition of the area can have a significant effect upon average salaries. Consequently, a city with predominantly high-paying industries would have higher averages than a city with mostly low-paying industries; yet it is possible that many workers in the same industry in both areas receive about the same compensation. This factor is probably more pronounced among production workers than white-collar, but nevertheless it will have some bearing in comparing cities whose industrial structures are substantially dissimilar.

2. *Differences in the cost of living can very readily modify salary differentials when they are regarded in "real" terms.* Thus a high-salary area may also be high-cost, thereby reducing the value of the salary dollar compared with lower-cost locations.

3. *Salaries and wages are the major items of labor cost but not all of it.* The general liberalization of many supplementary benefits in recent years has made these items a significant part of labor cost. Although information on total wage and salary structures is not available, completely satisfactory intercity comparisons would have to take differentials in fringe benefits into consideration as well as salaries.

These factors may be more or less im-

portant in making any given comparison. While they may exert modifying effects upon interarea salary comparisons, they do not destroy the value of such comparisons.

RELATIVE POSITION OF CITIES

Table 2 shows indexes for 11 cities based upon composite data for 24 office occupations in the first half of 1951.³ Although more recent surveys have since been made for most of these cities, the general relationships are not likely to have shifted. The compilation of later

TABLE 2
INDEXES OF WEEKLY SALARIES* FOR
SELECTED OFFICE CLERICAL
OCCUPATIONS IN 11 CITIES,
JANUARY-JUNE 1951
NEW YORK CITY = 100

City	Index
Atlanta	90
Baltimore	89
Boston	87
Bridgeport	98
Chicago	102
Dallas	92
Dayton	106
Denver	90
New York	100
Portland (Oregon)	101
San Francisco-Oakland	108

* These indexes show the average relationship in earnings level for selected office clerical occupations. The average for each occupation was multiplied by the total employment in the job in all cities combined to arrive at an aggregate used in the comparison. This procedure assumed a constant employment relationship between jobs in all cities. Indexes were based on salaries for the normal workweek excluding pay for overtime and night work.

SOURCE: "City Comparisons of Wage Levels and Skill Differentials," *Monthly Labor Review*, June, 1952, p. 644.

³ Reproduced from the article "City Comparisons of Wage Levels and Shift Differentials," *Monthly Labor Review*, U. S. Department of Labor, Bureau of Labor Statistics, June, 1952. For earlier studies of intercity variations see the following *Monthly Labor Review* articles: "Salaries of Office Workers in Large Cities" (Sept., 1948), "Salaries of Office Workers: Intercity Differences, Early 1949" (Nov., 1949), and "Salaries of Office Workers: Intercity Differences, Early 1950" (Nov., 1950).

indexes would have gone beyond available resources. Some brief checks have been made, however, and will be used to supplement Table 2. Since this table uses New York as the base city for comparisons, the reader can obtain an approximate idea of the order of magnitude from Table 3, which shows the most recent occupational averages in New York City. However, over-all percentage differentials between New York and other cities cannot be applied to individual occupations.

The highest salary level, according to Table 2, was found in San Francisco, which was 8 per cent above New York. Test checks indicate that Los Angeles ranked at least as high. Portland ranked just slightly higher than New York, and it also appears from the checks based on the 1952 surveys that Seattle was roughly on a par with Portland. In the Rocky Mountain section of the Pacific region, there is a substantial drop-off—as witnessed by Denver, where salaries were about 10 per cent below those of New York.

The lowest salaries were in New England and the South. Boston ranked last in Table 2, at 13 per cent below New York levels. The 1952 data show cities such as Worcester and Providence to rank generally lower than Boston. It will be seen, however, that in respect to such working conditions as weekly scheduled hours, paid holidays, and paid vacations, New England is among the most liberal areas in the country, thus offsetting—at least partially—the generally lower salaries.

The southern cities are in the lower half of the scale, but with a good deal of variation in relative position. Atlanta and Baltimore stand just slightly higher than Boston; based on 1952 data, New Orleans also was near the bottom. On the other

TABLE 3
AVERAGE WEEKLY EARNINGS* OF OFFICE
WORKERS IN NEW YORK, N. Y.,
JANUARY 1952

Occupation and Sex	Average Weekly Earnings (Dollars)
Men:	
Bookkeepers, hand	79.00
Clerks, accounting	62.50
Clerks, general	67.00
Clerks, order	59.50
Clerks, payroll	65.00
Duplicating-machine operators..	46.00
Office boys	37.00
Tabulating-machine operators....	62.50
Women:	
Billers, machine (billing machine)	51.00
Billers, machine (bookkeeping machine)	55.50
Bookkeepers, hand	68.00
Bookkeeping-machine operators, class A	57.50
Bookkeeping-machine operators, class B	49.00
Calculating-machine operators (Comptometer)	52.50
Calculating-machine operator (other than Comptometer)..	51.00
Clerks, accounting	50.50
Clerks, file, class A	52.50
Clerks, file, class B	41.00
Clerks, general	56.00
Clerks, order	50.00
Clerks, payroll	56.00
Duplicating-machine operators..	46.00
Key-punch operators	47.50
Office girls	38.00
Secretaries	65.00
Stenographers, general	52.00
Stenographers, technical	60.00
Switchboard operators	51.50
Switchboard operator-receptionists	51.00
Tabulating-machine operators....	55.50
Transcribing-machine operators, general	50.50
Typists, class A	51.00
Typists, class B	44.00

* Preliminary data. Earnings relate to salaries paid for the normal workweek excluding pay for overtime and night work.

hand, Dallas ranks somewhat higher; the supplemental checks indicate that the booming city of Houston does not lag very much behind New York.

The cities of the Midwest present a somewhat mixed picture like those of the South, but at a higher level. It can be seen in Table 2 that Dayton and Chicago rank second and third, respectively. Detroit, with its concentration of high salaries in the automotive and allied industries is about on a par with Chicago. These three cities are not much behind the scales in San Francisco and Los Angeles. But a check of Milwaukee, for example, places it among the middle group of cities.

In the Middle Atlantic cities, there is again no sharply defined pattern. New York follows fairly close behind the big Pacific Coast cities and the big metal-working areas of Chicago and Detroit. Philadelphia, however, appears considerably down the list and is approximately on a par with Boston.

WEEKLY HOURS

Comparisons of scheduled weekly hours for women office clerical workers in 27 cities indicate that the 40-hour week is the dominant practice. The national pattern is fairly uniform with the exception of the eastern seaboard. In New England, for example, shorter workweeks are particularly important in Boston and Hartford. In other cities there, over half of the women workers observe a 40-hour week, but a pronounced minority works less than 40 hours. The Middle Atlantic States have mixed practices. It is interesting to note that the coastal cities, such as New York, Newark, and Philadelphia all have a majority working less than 40 hours. In New York, in fact, almost half of the women are on a 35-hour schedule and a great many more on over 35-hour but less than 40-hour schedules. Away

from the coast, cities like Pittsburgh, Buffalo, and Rochester are akin to cities farther west in their observance of the 40-hour week.

Generally, where short workweeks are significant, there is also a concentration in nonmanufacturing industry; New York and Hartford are outstanding examples. Manufacturing still is mainly on a 40-hour basis.

PAID HOLIDAYS

The prevalence of widely varying provisions makes it impossible to pinpoint any national practice with respect to the number of paid holidays granted to office workers. About the only justifiable national generalization is that six paid holidays are a minimum.

Regionally, New England is most liberal. Nine or more paid holidays are general; in Boston 10 to 11 dominate. The Middle Atlantic States split in the same way as with weekly scheduled hours. The three seaboard cities of New York, Newark, and Philadelphia show a wide range between 7 and 12 holidays, with New York having a strong concentration at 11. The western cities of New York and Pennsylvania are comparable to the Midwest in observing 6 paid holidays. Southern cities hover mainly between 6 and 7, although 8 holidays are not infrequent. The Pacific Coast region generally observes 7 to 8, with substantial minorities of clerical employees receiving 9 or 10. Denver is the exception in that 6 holidays are applicable to over half the workers.

It is noticeable that for the most part cities heavily engaged in manufacturing concentrate at six holidays, whereas non-manufacturing cities, especially centers of financial activity, tend to have more.

VACATIONS

The office workers' two-week vacation after a year of service is a dominant but

not universal practice. Over half the office workers in 24 out of 27 cities received two weeks after one year. However, the number of cities where three-fourths of the office employees received this benefit was much smaller. Aside from New England and several Middle Atlantic cities (New York, Newark, Pittsburgh, and Rochester), only Chicago, Detroit, and San Francisco reached the 75 per cent mark.

With the exception of a few cities, paid vacations longer than two weeks are not dominant practice. Nevertheless, the growing significance of three-week vacations merits some attention. As with a number of other fringe benefits, the most liberal provisions are found on the East Coast. In Boston, over half of the office workers were eligible for three weeks after 15 years' service. Among other New

England cities studied, the proportion ranged from one-quarter to one-half except in Hartford, where it was considerably lower. "Three for fifteen" was even more pronounced in the Middle Atlantic cities. For five of the seven cities analyzed—New York, Philadelphia, Newark, Buffalo, and Rochester—percentages of employees ranging from 45 to 67 received three weeks after 15 years of service. Among southern cities, the proportions generally ranged from one-quarter to one-third. In the midwestern and far western cities, there was substantial variation. Over half of the workers in Detroit, Minneapolis, and Indianapolis were on a "three for fifteen" basis, but in other cities the percentages were considerably lower. Roughly 40 per cent were eligible for three weeks after 15 years in Denver and San Francisco; percentages in Seattle and Salt Lake City were substantially lower.

A Smile for Your Secretary

IT'S DIFFICULT to operate the typewriter if the first letter of the alphabet is out of commission. No matter what one tries it seems as though that letter is always needed. One letter seems like trivial stuff but as soon as you get started it appears that whoever invented the alphabet depended too much on it. Maybe the Chinese have the right idea after all. If one could draw pictures he wouldn't have to think of letters. Take such necessary words as weather, army, navy, air force, airplane carriers, submarines, hats, babies, utos, and squash pie. They all are peculiar if they are lacking that essential vowel. It is strange that if one letter had to have case of indisposition it couldn't have happened to s or y. How can man make his meaning clear if his machine fails to check out that first symbol. Candidly it's a nuisance.

—*Management Briefs* (Rogers, Slade & Hill) No. 51

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 16-17, at the Hotel New Yorker, New York City.

YOU CAN GET ALONG WITH FEWER TYPISTS

ALTHOUGH IT'S CHEAPER to buy an electric typewriter than to hire an extra girl, only one out of every ten typewriters used by American business is electric. Why aren't there more in use if they produce such excellent results?

Typewriter manufacturers who have been doing quite a bit of research on this question, report that there are six major reasons why many business men have been reluctant to buy an electric typewriter. Here are their objections and the manufacturers' answers to them:

1. *It's a special-application machine.* Management in many businesses considers the electric typewriter a machine suited only to such special jobs as producing multiple carbon copies, statistical reports, copy to be duplicated, and bills and invoices. It is felt that the electric typewriter is not suited to general-purpose work.

Facts disprove this idea. These typewriters can be used effectively for routine work. In a survey conducted by the Life Office Management Association seven companies reported a 10 per cent increase in the amount of general correspondence produced. One company, with 11 electrics, reported a 40 per cent increase in the production of group certificate typing. Moreover, almost every office has occasional calls for "special jobs." They are part and parcel of "general-purpose" typing.

2. *Initial cost is high.* Although it is true that an electric typewriter costs considerably more than a manual one, in measuring cost the machine should not be considered as a unit. It is a part of a typing station. Since the major expenditure for any typing station is the operator's salary, the known increase in pro-

ductivity that electric typing brings more than offsets the slightly increased investment in machinery.

3. *Special training is needed.* Both users and non-users of electrics report that a period of training is required before typists become efficient in the operation of an electric typewriter or even reach their manual production rate. The Life Office Management Association study reports that this period of adjustment and training ranges from one to several weeks, and in some instances the adjustment is not made. Other users of electrics report a minimum of a month before a complete adjustment can be realized.

Typewriter manufacturers admit that a training program is needed. They point out, however, that the adjustment period need not be as long as indicated if the training is well handled. Recent developments in scientifically planned training have reduced the adjustment period to a few hours at most.

4. *Electrics are noisy.* Early electric typewriters were very noisy, and even today's modern machines are far from quiet. Recent models developed by all manufacturers, however, show marked improvement in this respect. Most office experts agree, moreover, that noise at the source must be tolerated and that the wise business man will approach the problem from the sound-conditioning angle and adopt proper acoustical baffles.

5. *Maintenance cost is high.* Many users of electric typewriters report that maintenance costs for older models have been high and that electric typewriters are very hard on typewriter ribbons.

These arguments were valid for older machines, but important mechanical improvements incorporated into the newer

models have helped reduce maintenance costs. Also most companies find that with the introduction of nylon ribbon fabric they change ribbons no more frequently on electrics than they do on manuals.

6. *Volume of work insufficient.* In personal interviews, officials of some business organizations—particularly smaller ones—stated that the volume of work to be done did not justify the use of electric typewriters. They claimed that for this reason they could not get maximum benefit from higher production rates.

In many of these firms it was found that even the manual typewriters were not being fully utilized. In such cases, if all the typing work had been assigned to one person using an electric, the over-all production rate would have been much higher and it might have been possible to eliminate all the manual machines.

These objections have been management's. How does the typist feel about electric typewriters? In general, once a

typist has become adjusted to an electric typewriter, she is reluctant to return to the manual.

One employment agency's records show that frequently electric typewriter operators refuse to accept new positions requiring the use of manual typewriters. And in one firm's stenographic department where electric typewriters are used exclusively the supervisor had difficulty transferring typists out of the department, even though the transfer meant a promotion, because electric typewriters were not provided in other departments. Perhaps one reason for this acceptance of electrics among typists is the fact that the mediocre typist is able to produce the same quality of work as the expert so far as general appearance of a typed page is concerned. A "light" touch or a "heavy" touch has no effect on appearance. Whatever the typist's touch on the keys, the machine itself makes the impression on the paper uniformly.

—*Management Methods*, March, 1952, p. 8:2.

DECENTRALIZED FILING WITH CENTRALIZED CONTROL

"CENTRAL CONTROL of decentralized files" is how executives of the General Records Department at Lever House describe their filing setup. Their system, still comparatively new, is part of a growing trend among large companies toward dispersing files to particular departments for easier access, with over-all control retained by a central records department.

At Lever Brothers, records are located in 18 scattered departments throughout the company's new 24-story New York home. Only 25 per cent are centralized in the General Records Department itself.

Under this system most data a department will need is at hand in the department—filed there and maintained by a trained clerk of the records section. Items of "general company interests" form part of the records stored in the central file. Such items include general correspondence, cooperative merchandising records, and the like. The central files serve also as the depository for invoices from Lever's out-of-town division sales offices. Less active records, previously stored in some substation, also wait out an interim period here, before being shipped to the company archives. "Overflow" records

—those for which no substation room is available—are placed in the central files as well.

To determine how well its files are functioning and the need for revising them or creating new ones, the General Records Department conducts continuing records analyses. Records-planning clerks submit written summaries of existing conditions and recommend action to the records chief, who is charged with running the General Records Department and its 18 dispersed substations, and to the head of the department concerned. One such study resulted in eliminating 14 filing cabinets from one department. As a result of another study—of a department that had up to that time controlled its own files—duplicate records were eliminated, related records were brought together, and inactive ones were weeded out, thus reducing required file space.

Efficiency in the filing operation itself is insured by giving file clerks special instruction, not only in the operation of one file but of several. This permits them to fill in at file stations where the workload is extremely heavy. They are provided with a manual of file procedure—a guide compiled during the installation of their particular section. If their duties include

“subject” filing, they are also given a concise breakdown of subject classifications. File clerks may also obtain help from the records chief during her daily file inspection.

With most pertinent information filed in the department that needs it, references to the central files are considerably reduced. When a reference request is sent to the central file, however, the procedure is as follows:

A particular record, say, a sales invoice, is wanted by an executive in the accounting department. He fills out a request slip which asks his name, section, invoice required, date, the particular Lever division the invoice concerns, and whether he wishes the original, a copy, or any related papers. Either a mail clerk or a conveyor system, which makes a circuit of Lever House every eight minutes, carries the slip to General Records. Here a “look-up” clerk locates the invoice and removes it from the file. If a copy and not the original was requested, another member of the records staff duplicates the invoice on a special machine. Within 20 seconds a legally-acceptable facsimile is turned out, and is on its way back to the accounting executive.

—WALTER A. KLEINSCHROD. *Office Management and Equipment*, July, 1952, p. 22:5.

INCREASING TYPING EFFICIENCY: Recently, several time and motion studies have been conducted in government bureaus and by private companies in an effort to determine how much a copyholder can increase typing production. The Bureau of the Census attributed a \$72,000 annual saving in clerical time to use of the equipment. A large food concern, in its analysis, reported a 90 per cent reduction in transcribing errors, thanks to copyholders. A direct mail advertising agency experienced a 23 per cent increase in the typing of labels as a direct result of the introduction of a copyholder.

—*Management Methods* 4/52

Don't Take a Letter—It Costs Too Much!

DON'T TAKE A LETTER, Miss Smith. It will cost an average of \$1 and 3 mills if you do.

These figures, worked out by the correspondence improvement division of the Kemper Insurance Group, Chicago, were based on a study of 120 insurance and industrial offices in which dictaphones and typewriting pools (transcription departments) are used. These offices send out a combined total of 70,000 letters each month.

In some offices, where it is not considered feasible or desirable to use a typewriting pool, the costs may be even higher than \$1.003 a letter, the statisticians point out. In simple terms, these are the chief expenses involved in getting out a letter:

Salary of person dictating	\$0.273
Typist's salary	0.405
Employee benefits	0.015
Stationery and printing	0.063
Machine cost	0.042
Overhead (rent, light, heat)	0.041
Stamps and mailing	0.060
Miscellaneous	0.124
Total	<hr/> \$1.003

What can be done to cut costs? The Kemper correspondence experts suggest these answers:

To get an answer in the same office one might phone for it.

Be concise. Why not organize your thoughts before starting to dictate?

Don't, however, sacrifice completeness. If you do, you'll only have to write two or three letters where one would have been enough.

—*The Bulletin* (Office Management Association of Chicago) Vol. 12, No. 5

How Dry Copying Cut Costs at Ford

BACK IN THE SPRING of 1950, management men of the central office of Ford Motor Company, Dearborn, saw a demonstration of photographic duplicating by means of Xerography at an exhibition of office equipment. Favorably impressed, they made inquiries, held meetings, considered possible applications, obtained Xerograph equipment, and made a comparative analysis of photographic duplicating methods.

This analysis revealed, among other things, that the time required to reproduce an office form, from the drafting board through to the first copy, was reduced to minutes, at a total cost of approximately 37 cents, including materials, labor, and overhead. This compared with a cost of \$3.12 for the first run-off copy from a zinc plate which otherwise might be required. Test runs of up to 20,000 copies were made from one Xerograph-offset master, and the last copy was quite as good as the first. With the low cost of 37 cents to set up for high-speed reproduction, it was found that the Xerograph-offset duplicating combination would effect major economies on runs of 10 copies or more.

—*American Business* 3/52

Also Recommended • • •

THE NAVY DEPARTMENT'S OFFICE EQUIPMENT PROGRAM. *The Office* (270 Madison Avenue, New York 16, N. Y.), August, 1952. The Navy Department's office equipment program is aimed at selecting proper equipment to meet particular requirements, establishing utilization, replacement, and disposal criteria, and keeping abreast of the latest developments and trends in new equipment and applications. To accomplish these objectives the Navy has developed an equipment analysis procedure, outlined in this article. Determining both the purpose and the best way of performing the job for which the equipment is or will be used are important steps in this program.

CUTTING COSTS WITH BETTER BUSINESS FORMS. By Richard Neumaier. (1422 Chestnut Street, Philadelphia 2, Penna.). Reprinted from *American Business*, February, March, and April, 1952. 50 cents. The necessity for controlling business forms is indicated by the fact, pointed out in this article, that \$70 worth of forms represents about \$900 worth of clerical labor required to complete the form. This article presents a checklist of 32 questions which should help the design of a new form and in appraising those already in use.

THE WORK CENTER CONCEPT: A PRACTICAL APPROACH TO REDUCING OFFICE OVERHEAD. *Management Methods* (141 East 44 Street, New York 17, N. Y.), August, 1952. This article shows, through various case studies, how office production can be increased by improving traffic and communications facilities and environmental conditions affecting the efficiency of each work center. Communications for example, can be improved through the use of company intercoms, central dictation networks, and mechanical conveyors. The article also points out how worker morale, another factor in increased production, can be improved by providing for worker security and recognition.

YOU AND YOUR PUBLIC ACCOUNTANT. By S. Lewis Condon. *Office Executive* (132 West Cheltenham Avenue, Philadelphia 44, Penna.), August, 1952. Both large and small companies have come to rely more and more on the services of the public accountant, especially to help them comply with the ever-increasing number of government regulations. How the office manager can increase the value of these services and reduce their cost is discussed in this article. Since the cost of auditing depends on the number of manhours spent on the

operation, cost reduction can be accomplished by helping the accountant with clerical duties connected with the audit and by providing him with summaries of detailed transactions.

PLAN OFFERED FOR MEASURING EFFICIENCY OF TABULATING EQUIPMENT. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), July, 1952. This article outlines a plan, used by The Prudential Insurance Company of America, to measure the effectiveness of the firm's punched card equipment. This measurement is carried out by comparing actual job time to standards obtained through time studies. As a result of the plan, combined machine efficiency within the company has been increased by about 20 per cent.

HOW TO PREPARE MASTERS FOR OFFICE DUPLICATING. By Irvin A. Herrmann. *The Office* (270 Madison Avenue, New York 16, N. Y.), August, 1952. In many office duplicating jobs the cost of the over-all operation is upped when too much time is spent in preparing the master. This article describes the short cuts that can be used to save both time and money in the preparation of various types of masters, listing the materials required for each particular process.

TO SHRINK COSTS OF OFFICE FORMS—SIMPLIFY . . . COMBINE . . . REDESIGN. By Kenneth E. Goodwin. *Office Executive* (132 West Cheltenham Avenue, Philadelphia 44, Penna.), June, 1952. Improvement in office forms can be achieved only if all the details of the present work system are known. This analysis can be accomplished through the use of process and horizontal flow charts (illustrated in this article). The information thus attained can then be used to simplify the system operated by the form, combine one form with another, and redesign the form to permit faster writing and handling.

HOW TO IMPROVE YOUR WRITING. By Robert Gunning. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), June, 1952. "Bafflegab" is Mr. Gunning's term for writing that makes it hard for one's associates and subordinates to understand and carry out orders. Keeping sentences short and using the simple word or structure rather than the complex, the active verb instead of the passive, the concrete idea rather than the abstract, are some of the "quick steps" suggested for clearer, easier-to-read writing.

Manufacturing Management

OUR DISAPPEARING RESOURCES—DANGER AHEAD!

IN HIS FANTASY *Nineteen Eighty-Four*, George Orwell painted a frightening picture of what can happen to a nation that fails to guard its political freedoms. Recently, in a five-volume, 813-page report that could be called *Nineteen Seventy-Five*, a presidential commission showed what can happen to a nation that neglects its natural resources.

The report heavily underlines a profound change that has taken place in the U. S. economy in the past 10 years during which the U. S. outgrew its own raw-material supplies. Americans will have a hard time adjusting themselves to the fact that in some respects they now live in a have-not nation.

Fifty years ago, says the report, the U. S. produced 15 per cent more raw material than it consumed; now it produces 9 per cent less than it needs. Once a big exporter of copper, lead and zinc, it is now the largest importer of those metals. Assuming the traditional 3 per cent annual growth in the economy—and a population rise to 193 million—the nation's raw-materials output by 1975 will fall 20 per cent short of filling estimated needs.

The U. S. now uses $2\frac{1}{2}$ times more bituminous coal, four times more zinc, 26 times more natural gas, and 30 times more crude oil than it did in 1900. The result is that though the U. S. has less than 10 per cent of the free world's population and land area, it consumes close to half the free world's output of materials.

Few Americans have thought much about replenishing the cupboard of natural

resources. Timber is now being used up 40 per cent faster than new stands are growing; in 1950, the nation used up 8 per cent of its known petroleum reserves, 6 per cent of its lead and iron ore. But absolute shortages, says the commission, "are not the threat in the materials problem . . . The threat lies in insidiously rising costs"—not just dollar costs, but "real" costs in terms of the man-hours and capital needed. For years, "these real costs have been declining and this decline has helped our living standards to rise. But now this decline may have been slowed and in some cases reversed."

What is the solution to the nation's worsening materials position? Part of it lies in more efficient use of the materials at hand, and better methods of collecting and reprocessing scrap. Example: "By our heedless methods of dumping tin cans we annually cast away 2,000,000 tons of scrap iron and 12,000 tons of tin . . ." With more efficient use should go more efficient raw-materials production; the commission notes that half the commercial grades of coal and petroleum in known reserves is left behind in the production process.

Another part of the solution lies in synthesizing new materials like plastics, getting economic mass production of such new metals as titanium and germanium, and substituting the plentiful for the scarce all down the line. Sooner or later, as oil and gas become less plentiful and more expensive, "the nation probably will have to rely more on coal, which it has in abundance" (only $2\frac{1}{2}$ per cent of

known reserves have been mined to date).

To use U. S. reserves more efficiently, the National Security Resources Board should be revitalized, and a minerals census taken every five years; detailed geological mapping of the U. S., now only 11 per cent complete, should be stepped up fast; depletion allowances for oil, gas, and mineral exploration should be continued; public and private research into new methods and materials should be coordinated.

But no matter how much conservation is achieved, or how many new materials and methods are found, says the commission, "self-sufficiency for many materials is impossible; for many others it is economic nonsense." Part of the nonsense

derives from high protective tariffs and "Buy American" policies, under which the U. S. is chewing up its own raw materials, instead of leaving them stored in the ground (the best kind of long-range stockpile) and filling its needs abroad from nations anxious to sell.

To halt this drain, the commission recommends that Congress (1) repeal the "Buy American" act, "a relic of depression psychology"; (2) eliminate the high protective tariffs on vital foreign industrial materials, e.g., cobalt, columbium, even without reciprocal action from abroad; and (3) approve the St. Lawrence Seaway project to get quick access to Labrador's rich iron-ore deposits and a new hydroelectric power source.

—*Time*, June 30, 1952, p. 78:3.

PREVENT OFF-THE-JOB ACCIDENTS, TOO!

THERE ARE TWICE AS many off-the-job accident fatalities as industrial fatalities. For that reason the industrial safety engineer might profitably direct some of his efforts to preventing accidents away from the job.

Those safety engineers who have put into effect a well-established safety program within their firms should have no difficulty in handling this problem, since experience has shown that the principles involved in the elimination of industrial accidents can be applied to the prevention of off-the-job accidents. Although the type of organization and the policies of management will determine the procedure best suited to a specific safety program, the following are considered essential for creating and maintaining an off-the-job safety program:

1. The program must have the interest

and approval of management, and one department or individual must be made responsible for off-the-job safety activities.

2. This department or individual should compile information and statistical data on the subject to determine what activities are required to combat and solve the problem effectively.

3. Regular reports should be prepared on the company experience and sent to interested parties. The cost factor should be included in such reports.

4. A comparison of on-the-job and off-the-job accident experience should be drawn up.

5. Special programs designed to solve specific safety problems should be conducted. A good idea is to study or learn what other companies are doing to stop off-the-job accidents. In addition it is

well to solicit the assistance of safety councils and other safety-minded units and use their offerings as a basis for or an aid in your own program.

6. Employee interest in off-the-job safety should be aroused and maintained through use of the following devices:

- (a) Letters
- (b) Distribution of printed material by hand and by rack service
- (c) Posters and exhibits

- (d) Articles in employee magazines
- (e) Meetings
- (f) Discussions based on newspaper items
- (g) Movies
- (h) Safety graphs

The use of the proper method and program, the correct materials, and continuous recognition of the existence of the problem will result in a worthwhile and effective off-the-job safety program.

—THOMAS J. BERK. *Safety Maintenance & Production*, March, 1952, p. 21:5.

Photographs Sell Safety Program

SHOOTING HIS WAY to lower accident frequency and severity figures—with a camera—describes the performance of the supervisor of safety at Crucible Steel Co. of America (Midland, Penna.).

The safety supervisor, or a member of his staff, roams the length and breadth of the steel works taking pictures in all departments. Unsafe conditions and practices are recorded on the spot: extremely dangerous conditions are remedied immediately. The safety staff, on 24-hour call for all accidents, takes pictures of every accident to show exactly how it happened. Then the pictures are put to work.

Each lost-time accident at all Crucible plants must be reported, in detail, to the management in Pittsburgh. These reports include a photograph of the accident, in addition to a complete written description. If the accident's cause can be traced to insufficient safety precautions, management takes immediate steps to secure the needed protection.

In many cases, however, accidents are caused by human failure. The camera is also used to reduce this cause of accidents. The pictures, for example, are the feature of every regularly scheduled safety meeting. Each meeting begins with a report of progress made toward eliminating safety hazards discussed at previous meetings. Reports of careless and unsafe practices are made and suggestions are offered to combat them. At this point in every meeting the pictures are introduced. Since the safety department is constantly at work with the camera, few hazards escape detection and consequent discussion at one or all of these meetings.

—Steel 8/18/52

Order and Cleanliness: Keys to Efficient Management

THERE ARE two things which will defeat the objectives of efficient operation more quickly than anything else, and those two things are dirt and disorder.

Henry Ford was once asked what he would do if he were called on to take charge of a business that had failed, and he replied: "No business I know of ever went to the wall without accumulating a vast pile of dirt first. The dirt, and all that goes with it—untidy thinking and methods—helped to cause that failure. The first thing I would do, therefore, would be to clean up that business."

—DON F. COPPELL in *Modern Sanitation* 7/52

EVALUATING AIR FREIGHT

TODAY, MANY INDUSTRIES are considering air freight as a possible answer to shipping difficulties. There are, however, some special angles to air shipping which the carriers themselves don't always make clear. Companies without air experience can easily reach wrong conclusions in comparing air's advantages with those of surface shipping. The following checklist suggests some of the more important points to take into account in assessing the possible value of air freight for your operations:

1. *Would the saving in shipping time create a competitive advantage?* How much would delivery and warehousing costs be reduced? Fast delivery really pays off if a company has to fill rush orders frequently; or if there are frequent emergency requisitions for replacement parts to prevent a breakdown in plant operations. Air freight may also be the answer if a company has to tie up a lot of money in heavy inventory simply because its suppliers are far from the plant or warehouse.

2. *Would air freight enable you to extend your market?* The additional cost may be more than offset by increased sales. Many Eastern apparel manufacturers have used air deliveries to meet deadlines in the competitive and style-conscious Southwestern and Far Western markets.

3. *Do you ship many small packages?* Mail order houses as well as industrial companies selling a light, high-value, small package may find air service especially suitable. A new delivery technique combining air freight and parcel post offers the benefit of speedy air shipment while avoiding high airmail rates. Packages are grouped in bundles according to destination, and the postage meter is "set" for parcel post delivery from the destination

city. The airline picks up the package at your warehouse and delivers it directly for mailing at the post office in the destination city.

4. *Is your product subject to spoilage?* Air freight may be indicated where products, such as fresh fish, must reach the seller as quickly as possible. For other perishables, such as strawberries, the marketing life may be considerably extended by fast delivery. However, experience with such shipments indicates a danger that the entire freight cost may price a product out of the market or force some staples into the luxury class in the distant market.

Companies should be cautious in making comparisons between the cost of air freight and surface shipping. While air freight is still a high-cost carrier, these commonly-neglected points should be considered before making any decision solely on the basis of cost:

You can't rely solely on a comparison of rates between air and surface freight. Savings on indirect costs may well offset air freight's high rates. For example, because of fewer handlings, damage claims may be small. Packaging costs may also be cut by the use of light-weight containers instead of the heavier crating required by most surface transport.

Published air freight tariffs don't give the whole rate picture. The rate is ordinarily for airport-to-airport, not door-to-door shipment. The cost of pickup and delivery may be stated separately or given in a separate tariff. The airlines can quote this charge only when they use the services of an affiliated or consolidated trucker. Often, the final charge is left open in cases where the airline has to use unaffiliated over-the-road truckers for desti-

nations outside their local delivery areas.

It's important to take advantage of plane space. Above a certain limit, airlines charge you by the amount of space your shipment occupies ("dimensional" weight) as well as by actual weight. Large, bulky packages may draw a higher freight rate per pound even though they weigh less than compact smaller packages. The carrier himself may be the best source of advice on how to use space on a plane to maximum advantage. He will tell you what changes can be made in your regular shipping methods.

Meet minimum weight requirements. There is a definite premium for meeting the minimums (25 lbs. or 50 lbs. or a minimum dollar charge) specified for shipments by different airlines. But note that, unlike rail and truck rates, there isn't usually any significant gain on a pound basis when you ship more than the minimum. Also, rates per mile over long distances are not much less than those for short hauls. For example, the air freight

rate per mile for a 2,000 mile shipment is 73 per cent of the per mile rate for a 200 mile shipment. By rail, the long-haul rate would be only 28 per cent of the short-haul charge.

Watch out for overloading. The air carrier will generally accept the shipper's own weight limit on shipments in wooden crates. However, with corrugated boxes, he may insist on sticking to the box manufacturer's suggested weight limits. Boxes over these limits may be stamped "overloaded." On such shipments, the air carrier is not responsible for breakage or packaging mishaps.

Truck pickup and unloading may take longer than the plane trip. This is a common complaint of shippers in outlying areas. They lose most of the speed advantages when shipments are held up at local warehouses. Or the cost of air shipment may be made prohibitive by the extra expense involved in using a special truck to get the shipment to the airport the same day.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), May 6, 1952.

Productivity: Still Going Up

MOST AMERICANS would probably be surprised to discover that productivity in the United States is growing faster now than it was a century ago. They have uncritically gained the impression that our economy was more dynamic when it was young and that, as it has been getting older, it has been losing vigor. Many radicals have proclaimed that the American enterprise system is decaying, and many conservatives gloomily assert that it is being ruined by bad public policies. Both the radicals and the conservatives are wrong.

Output per man-hour is growing more than *three times* as fast today as a hundred years ago. The increase in the rate of growth has been fairly steady. Between 1850 and 1880, output per man-hour increased 28 per cent; between 1880 and 1910, about 74 per cent; between 1910 and 1940, about 83 per cent. Between 1940 and 1950, the annual rate of increase was one-fourth faster than between 1910 and 1940—large enough to double output per man-hour in 30 years.

Productivity has also been growing faster in the United States than in most other countries. Since the disruptions of the First and Second World Wars have affected recent figures, let us go back to the pre-war period. Between 1880 and 1910 real

output per occupied person increased 38 per cent in France, 38 per cent in Germany, 48 per cent in Britain, and 53 per cent in the United States.

Why is output per man-hour in the United States growing rapidly, and why is productivity rising faster here than in nearly all other countries?

There are three principal reasons: competition in this country is becoming more pervasive and more intense; industry is becoming better managed; and, most important of all, industry is making more and more use of science and technology. All these developments are more pronounced in the United States than in other countries.

—SUMNER H. SLICHTER in *The Atlantic Monthly* 7/52

Keeping Tabs on Plant Equipment

IT IS SOMETIMES difficult to get each department foreman to notify the accounting department when equipment is moved. The foremen often claim that they do not have the time to write a report or are not sure what equipment is under their supervision.

In one firm an equipment index was prepared for each department in the plant on stock cards and filed in a ledger posting binder, arranged according to the recommendation of each department foreman. Each was advised that his section of the book represented equipment which had been assigned to him and that he was responsible for any changes or relocations, with the exception of items released to another department or scrapped. Periodically, the company's investment department takes the foreman's card index and makes a physical inventory of the department. The department foreman is held responsible for all equipment not located.

One unanticipated effect of this practice is that the foreman is using his cards to record any unusual factors affecting the established life of the equipment. This information is noted by the accounting department and depreciation rates adjusted accordingly. The savings which have been realized in both property and income tax reductions through immediate reporting of obsolescence or dismantling of equipment has more than paid for the cost of installing the new procedure.

—THOMAS MOORE in *N.A.C.A. Bulletin* (National Association of Cost Accountants) 6/52

Camera Aids Work Simplification

SWIFT & COMPANY, Chicago meat packers, now have a department called "Work Simplification and Camera Analysis," so closely have the two become related. The division superintendent invites foremen to ask for film studies of troublesome operations; a foreman's group then studies the films and recommends improvement.

This system, which has been adopted by 21 of Swift's packing plants, produced 107 proposals for methods changes in 1950, 171 proposals in 1951, and 116 in the first three months of this year. Savings have multiplied in the same ratio.

In order to effect such savings, it is of course necessary to convince management of the need for methods changes. One way to dramatize the need for certain methods improvements is through "split-frame" photography. One half of a 16-mm. film can be masked while the "old" method is filmed; then the "new" method can be filmed alongside it by masking the first half. Projection of the two methods side by side produces an effective contrast, and the advantages of the new methods become obvious.

—*Modern Industry* 6/15/52

Also Recommended • • •

ELECTRONICS: NEW ROLE FOR WAR BABY? By T. Metaxas. *The Iron Age* (100 East 46th Street, New York 17, N. Y.), July 3, 1952. Electronics has already brought about profound changes in television, calculating and accounting processes, products testing and research—but its progress in industry has just begun. This article describes some of its marvelous abilities in substituting for the human senses of sight, touch, and hearing. For example: electronics will serve in the development of robot machines which sense their own errors, measure them, and then correct power or raw material input to regain balance. A major problem to be solved first is that of educating plant owners to its benefits.

CAMERAS IN INDUSTRY. *Modern Industry*. (400 Madison Avenue, New York 17, N. Y.), June 15, 1952. This article tells how various firms are making use of the camera to improve both machinery and present production methods. In addition, it points out how television may be adapted to production control in the foreseeable future. Study of plant operations by "remote control" and closer examination of hazardous operations are among its possible applications.

HOW A SMALL PLANT CAN OPERATE LIKE A TOP-DRAWER OUTFIT. By Cloyd Gray, Don Harper, and Howard Janin. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), June, 1952. It has been the experience of the author's company that it's not the number of employees that's important in good management. Rather, it's how well all the necessary jobs get done. To operate at maximum efficiency, this company has learned to chart plant functions rather than names, save money through good safety practices, and cut waste by constant, meticulous attention to housekeeping.

GOOD HOUSEKEEPING PAYS OFF. *Production Engineering and Management* (Box 1, Birmingham, Mich.), July, 1952. A safety and good housekeeping program set up at International Harvester's Truck Engine Works has saved the company thousands of dollars per year by reducing accident rates and eliminating seemingly unavoidable housekeeping expenses. This article describes the objectives, origin, and operation of the program, which owes its success to full employee cooperation stimulated by contests between departments.

SELLING SAFETY.—1952 STYLE. *Modern Industry* (400 Madison Avenue, New York 17, N. Y.), August 15, 1952. Safety engineers have largely succeeded in removing or at least minimizing physical safety hazards, but the problem of persuading people to follow safe practices still remains. This is the job of the safety director, whose qualifications, discussed in this article, should include skill in human relations and communications. The light touch—humorous posters, contests, stunts—has proved effective in selling employees on safety, and the safety director would do well to investigate its applications, the article suggests.

PANORAMA OF A SAFE PLANT. By George H. Miehl. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), Vol. 65, No. 2. The reader in this article is taken on a tour of an imaginary plant that has incorporated all possible safety devices and that also makes maximum provision for employee comfort. Among its features are underground tunnels which keep employees traveling to and from job locations off production floors, an employee parking entrance separate from the one used for trucks, good lighting and ventilation, and an employee cafeteria. The author emphasizes that those measures which increase employee comfort and prevent fatigue also work for the interests of safety.

THERE'S CASH IN THE TRASH BASKET. *Business Week* (330 West 42 Street, New York, N. Y.), July 19, 1952. With operating costs on the increase, manufacturers are attempting to squeeze every last cent out of every dollar they spend. One method of saving money, widely used by the auto-manufacturing industry, is to reclaim equipment that has been thrown on the scrap heap. General Motors, for example, has saved \$25,000 alone by salvaging partly worn out gloves.

THE SAD FLIGHT OF THE SMALL SHIPPER. By Arthur H. Schwieter. *Commerce Magazine* (1 North La Salle Street, Chicago 2, Ill.), July, 1952. The pattern of freight rates has changed in such a way that the small shipper is now bearing the brunt of rate increases. This article points out several ways in which these shippers can obtain relief from high charges. They can, for example, benefit from quantity rates by increasing the size of shipments through the consolidation of packages or by combining their shipments with those of other companies.

Marketing Management

FALLACIES THAT LIMIT SALES SUCCESS

C. L. LAPP

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CERTAIN FALLACIES in the field of sales management are finding credence among too many marketing executives—to the detriment of their sales organizations. Like many other fallacies, they contain elements of truth, but failure to recognize limitations in their application results in inefficiency and waste.

Among the fallacies that are all too commonly accepted and applied without question are the following.

Fallacies in Selection

1. *Salesmen are born, not made.* This platitude lulls sales managers into the comfortable belief that there is no necessity for continuous attention to the training and supervision of salesmen.
2. *Hire only graduates with highest grades from well-known universities.* Such a selection policy often excludes those from the school of experience who might be better suited for sales jobs. Selecting only those graduates who are in the upper fourth or fifth of their class means ruling out many well-rounded individuals with varied experiences who might be top sales producers.
3. *Standardized selection tests will solve the selection problem.* Tests, as they are today, should be used only as a supplementary selection device. Even when used for this

purpose the test, if it is to have very high validity or reliability, must be an "ideal man test" developed for a specific company or tailor-made for specific selling jobs or territories of a company.

Training Fallacies

4. *All men should be put through the same training.* Such a belief ignores the fact that specific weaknesses vary from one man to another and that time and energy are often wasted in giving prospective salesmen what they least need while their individual weaknesses are given little or no attention.
5. *Salesmen are expendable, and it is foolish to spend money on training them.* Even if new salesmen can be found to replace those who fail to succeed because they are not capable of self-training, such a policy is still a costly form of exploitation. The company suffers when its men are not adequately trained. Some money is saved, to be sure, but the amount is negligible compared to the losses arising from ineffective sales presentations, impaired customer goodwill, and constant turnover. The cost of training is usually insignificant compared to the results achieved by salesmen who have been properly trained.

6. *The only way to learn is through experience.* Experience is the best teacher but is usually the most expensive teacher, too. With changing products and markets, with customers demanding a higher type of salesman to serve them, the salesman of today no longer can spend the better part of a lifetime trying to reach his peak of efficiency. He must learn from the experience of others and fit himself more quickly into competitive situations.

Supervision Fallacies

7. *All men should be treated the same.* All men can't be treated the same. Every individual is different, and therefore a sales manager must deal with each man differently. This doesn't give a sales manager license to play favorites, but it does point up the fact that treating men the same does not mean necessarily that salesmen will feel they have been treated fairly.
8. *Giving a salesman good pay and good sales equipment makes a company a good place to work.* Obviously, both factors are important, but they aren't the whole story. Salesmen expect and need understanding leadership—the kind of sales leaders who take an interest in their hopes and ambitions and help them realize them. Salesmen want to have a feeling of belonging to a company. They don't want to be mere cogs in the wheel.
9. *Allot almost all supervisory time to the low producers on the totem pole.* Often the low men are the men without potentialities. When this is the case no amount of time will raise such men to a permanently higher level of sales production. The top sales producers are too frequently the forgotten salesmen of a salesforce, but these men, if given more supervisory time, might repay greater returns for time and effort expended.

Forecasting

10. *Past sales should be the chief base factor in forecasting sales for an ensuing period.* Past sales should be considered in making a sales forecast, but the amount of past sales shouldn't be the base factor. If it is, the sales executive will never know how much business the company might have done if market potential had been considered.

Evaluation of Sales Performance

11. *Sales volume is the standard for evaluating sales performance.* Using sales volume as the sole standard in evaluating performance can be very misleading. What a company really wants is profitable sales volume from each salesman. This can be best judged by taking the gross margin produced by a salesman and subtracting from his gross margin those expenses which are within his control.
12. *Quantitative evaluation is sufficient.* Qualitative evaluations of each salesman's performance are, of course, needed. Salesmen may be producing a relatively small gross-margin-less-controllable-expenses figure but still be doing long-term work for the company that will pay off at a future date.

Selecting Managerial Timber

13. *Good executives can be selected on the basis of an outstanding sales record alone.* A man may be a star

salesman but have qualities that will prevent his ever becoming more than a mediocre sales manager. The jobs of sales performer and sales director are different, and careful consideration must be given to potential ability to *manage* as well as to sell.

Eliminate Fallacious Thinking! The foregoing are only a few of the fallacies that have been limiting the sales success of far too many sales organizations for too long. Eliminate fallacious thinking in your sales organization and it will step up sales effectiveness to a startling degree.

Salesmen Try Courtesy

RETAILERS tend to blame low sales volume on customers who won't buy, on costs that won't stay down, on profits that just barely creep through. But now there's a growing conviction that they haven't paid enough attention to a vital link in the manufacturer-to-consumer chain: the man or woman at the retail counter.

Bloomingdale Bros., big New York department store, is now working on that particular link. Its aim is to improve its sales peoples' rating on one important point—the courtesy they show to the store's customers.

In an attempt to get sales people to do their own thinking about the importance of courtesy, Bloomingdale has been holding employee group meetings. Each group, comprised of 20 people, attends two meetings, each lasting an hour. In the first session, the sales people fill out questionnaires that ask for the following information: (1) four instances of courteous or discourteous treatment they have experienced—in a restaurant, drug store, grocery; (2) the extent of discourtesy they have observed at Bloomingdale's—on such scores as unwillingness to show merchandise, scorning low-priced orders, using high-pressure selling; (3) a self-evaluation on the same counts; and, finally, (4) their appraisal of what courtesy means to Bloomingdale's in dollars and cents.

Also, at this session, one member of each group is picked to go out "comparison shopping" to see how other stores rate on courtesy.

At the second session, the group is asked once again to rate Bloomingdale's on courtesy—on the same points they covered the first time. Then the meeting is thrown open for general discussion of their findings.

When the entire store personnel has had an opportunity to attend the meetings, management plans to write a letter to its charge account customers, explaining what it's trying to do, and asking the customer to help. With the letter it will send cards which the customer is asked to give to an employee who has treated him with particular courtesy. The employee who receives such a card will get some sort of recognition.

In the main, Bloomingdale's employees have taken to the program. The fact that the second meeting is always the livelier one testifies to the interest the program has aroused. Also, the comparison-shopping device has proved particularly effective. Bloomingdale personnel are likely to come back from such a tour in a highly critical frame of mind.

—*Business Week* 7/19/52

IN 1951, American business men invested more than \$6.5 billion in advertising. The largest share of these advertising dollars (\$2.2 billion) was spent in newspapers. In the runner-up spot was direct mail, on which \$1,056,296,826 was spent.

—*Advertising Newsletter* 6/52

HOW TO LIVE IN A SALES EXECUTIVE'S JOB AND LIKE IT

HAVE YOU EVER wondered why some sales executives seem to enjoy their work and others find it a cross to bear? The answer may be that the man who finds pleasure in his work has settled on worthwhile objectives that give him a definite sense of accomplishment and satisfaction. These objectives are important in achieving the psychological "fringe benefits" of his position; they elevate it to a level where he feels he's doing a creative and constructive job with other men for other men.

Here are four objectives which should help the sales executive attain this feeling:

1. To promote only those products and services that offer the customer sound value—and, as a corollary, to present the customer at all times with a true and honest picture.

2. To allocate his time and organize his work in such a way that he will have adequate opportunity and the necessary energy for constructive planning and for creative work.

3. To help men within his organization make the best possible use of their abilities in the attainment of worthwhile objectives.

4. To conduct his enterprise in such a way that it makes a tangible contribution to the system of democratic free enterprise.

Essentially the achievement of these objectives requires the effective use of the following management techniques:

Define the job to be done. A sales executive should clearly describe his own job so that he understands its full content and the relative importance of its many facets. It is also important that he under-

stand the areas of responsibility and authority of his subordinates so that he can make effective use of their talents and appraise their success accurately.

Delegate increasingly. The executive who does a good job of delegation has time to give to his more important responsibilities. Secondly, and of equal importance, the executive who delegates increasingly helps his subordinates grow by giving them greater responsibilities and wider exposures.

Make decisions on the basis of facts. Decisions based on fact are much more likely to be good ones than are those based on hunch or opinion and, in addition, they can be defended more easily. Moreover, subordinates have confidence in the executive who knows how to get facts, and, because they can contribute to the fact-gathering, they feel they are participating to a greater extent in the decision-making.

Direct decisively. There are many times when a poor decision is better than none at all. Probably the most frustrated subordinates in American industry work for executives who cannot make up their minds or who will not stick with the decision when made.

Practice being open-minded. It is good practice for an executive to greet a new idea with at least a "maybe" rather than an outright "no." It is also good practice to accept a new idea periodically if there is no strong reason for disagreeing with it. Such encouragement aids in the development of subordinates and increases the possibility that worthwhile ideas will come to the attention of management.

Learn to be understanding and tolerant. High standards of performance are en-

tirely compatible with patience, tolerance, and understanding. Ability to understand the other fellow's viewpoint is an essential quality of the executive. Fortunately, this is the same sort of sensitivity to people which is important to successful selling, and therefore this technique should come easily to men who have had successful selling careers.

Avoid expedient action in favor of sound action. This can be accomplished by competent forward planning, since expedient action often stems from the failure to plan or from a lack of courage to make and defend the difficult decision.

Experience has shown that those sales

executives who use these techniques effectively and who are happy and successful in their jobs usually possess certain characteristics. Among these are energy, enthusiasm, and drive. This bundle of traits seems to have its foundation in good health. The selection process for executive material should therefore include a health examination, and companies should require annual physical check-ups for their executives. Imagination and intelligence, a sense of humor, and emotional stability also characterize the successful sales executive. All these qualities, provided they already exist in some measure in the man's personality, can be further developed.

—JOHN G. NEUKOM. *Sales Management*, April 1, 1952, p. 24:4.

How to Improve Customer Service

1. Set a good example. When supervisors, executives, and top management are courteous to clerks, salesmen, correspondents, and tellers, they in turn will be courteous to customers.

2. Spend some time on the selling floor and at branch offices, and see for yourself how customers are treated. Show how to make a customer feel important.

3. Be quick to commend unusually good service. Be near enough to see excellent service when it is given and commend it on the spot.

4. Be patient. Train, instruct, demonstrate. It is not enough just to command people to be courteous. Show them the dollars-and-cents value of special courtesy. Encourage them to know the satisfaction of giving good service and prompt attention and maintaining a friendly attitude.

5. Work out a series of meetings in which typical customer problems are described and analyzed. Explain that difficult situations are potential customer-makers, if properly handled. Illustrate the difference between real courtesy and fawning—between dignified service and stuffy condescension. And convince everyone in the organization that it never pays to be contentious.

—*American Business* 6/52

How Much Do Sales Chiefs Make?

TO DETERMINE what top-level sales executives earn, *Sales Management* recently studied and tabulated the earnings of 275 top-paid sales managers in 55 industry groups.

The study revealed that for every 100 sales executives earning \$25,000 or more a year in salary, bonus, or commissions (not including benefit payments or dividends and interest on company securities owned) 19 earn \$25,000 to \$29,999; 29 earn

\$30,000 to \$39,999; 20 earn \$40,000 to \$49,999; 21 earn \$50,000 to \$74,999; 7 earn \$75,000 to \$99,999; and 4 earn in excess of \$100,000.

The median average salary-commission-bonus is approximately \$42,500 before taxes.

34 per cent receive salary and/or commission only.

66 per cent also receive a bonus, a participation in profits or some other form of incentive pay.

65 per cent are participants in a company pension or retirement plan toward which the company makes an annual contribution earmarked for the individual. The median average of the benefit payment is approximately \$3,200. One-tenth of the beneficiaries receive less than \$1,000; another tenth receive in excess of \$10,000.

—Sales Management 6/1/52

I Didn't Raise My Boy to Be a Salesman

WHAT have people got against selling? To get an idea *Fortune* called on 35 middle-income wives whose children are of school age. Three hypothetical questions were posed, and the wives were asked to give their off-the-top-of-the-head reaction.

First, if they had to make the choice themselves, which would they prefer their son to be—real-estate man, insurance salesman, store owner, teacher, dentist, or bank officer?

The dentist (which was most spontaneously associated with "professional") carried the field; the store owner came in a poor second; the teacher third; and the bank officer fourth. The two selling jobs, real-estate and insurance salesman, drew one vote apiece—and far and away the most negative comment: "I suppose the real-estate man would have the edge on the others in making money—but then salesmen are so dreadful."

Interestingly, when in the second question selling was put in the context of a large corporation, it fared a good bit better. In competition with public relations, production, market research, personnel, and advertising, selling placed second in the number of votes. But, again, selling provoked the most "No's!"; and in the aggregate, there were more blackballs against selling than votes for it. "Anything but selling!" was the common reaction.

Why the revulsion? In part, of course, it reflects the natural feminine distaste for men working late and traveling far—and, often, unpleasant memories of particular salesmen. But it also reflects a bias more fundamental: the conviction that the salesman doesn't do anything really worth while. He doesn't help people ("the way teachers do"), he is not a professional man ("like a dentist"), and all you can say for him is that he can make big money, and what's the good of that, with taxes and such the way they are these days?

This scorn for the money aspect of selling has reached surprising proportions. Which, the third question went, would be better: to sell for a small corporation on a commission basis that could after five years bring \$15,000 annually; or to do the same work for a large corporation on a salary basis that would bring \$7,500? The vote: 20 out of 35 for the large corporation's \$7,500. "... Security is worth more than the \$15,000 he'd make in money..."

—*Fortune* 5/52

SAMPLING BUYER PLANS recently, The Federal Reserve Board found that consumers are still thirsting for more. No less than 14 per cent of U. S. families plan to buy a car next year; 8 per cent of the nation's non-farm families have tentative plans to buy houses—more, in both cases, than in 1952.

—*Time* 8/25/52

POPULATION GAIN: KEY TO VAST CONSUMER SALES

THE POPULATION OF THE United States has increased by approximately $5\frac{1}{4}$ million in the past two years. If this rate of growth continues, the population will exceed 175 million in 1960, an increase of about 25 million in 10 years.

One effect of this trend will be a greatly increased demand for civilian goods; not counting the needs of production for defense, there will be a greater market for agricultural and industrial output than the United States has ever known. In fact, it may well be that the producer, the distributor, the marketer, and the advertiser will have their capacity for expansion strained to the utmost to meet the demands of a way of life to which Americans have become accustomed and to which they will want to hold fast.

The nation's advertisers are not unfamiliar with the over-all picture of American growth. They are, however, in need of specific information about the classes of population and their geographical distribution so that they can target their programs to meet both current and changing conditions. Therefore, let's have a look at the major trends in the country's population, as reported by the Bureau of the Census:

It is, of course, common knowledge that the main current of the nation's population is toward the cities. The exact figures, however, are of interest: Almost two-thirds of the continental United States population of 150,697,361 resided in urban territory, according to the 1950 census. About three-fourths of this number was concentrated in 157 urbanized areas defined about central cities of 50,000 or more, while the remaining portion resided in other urban places of 2,500 or

more, located outside the 157 urbanized areas.

Also of significance is the fact that American advertisers have a domestic market, measured in number of people for their goods, which is $14\frac{1}{2}$ per cent larger than 10 years ago, and the high birth rate and continued low mortality are adding new potential customers to our population at a rate of 200,000 a month. This steady rise means, of course, that there will be an increased demand for all items sold for individual consumption.

Furthermore, the manufacturers of those items which are sold on a household basis—furniture, refrigerators, stoves, washing machines, electrical appliances, radios, and television sets—have a market today of $42\frac{1}{2}$ million households, compared with 35 million in 1940. At the same time the number of married couples increased by 7.8 million and the number of homeowners by nearly $8\frac{1}{2}$ million.

Another important fact is that the population under 10 years of age increased by 39 per cent—from a little over 21 million in 1940 to $29\frac{1}{2}$ million in 1950. This rise in the number of youngsters means increased demand for toys, school supplies, and other items for juvenile consumption.

The increase in the number of older people should also be taken into account by the producer and advertiser. The population over 65 years increased by 36 per cent—from about 9 million in 1940 to nearly $12\frac{1}{2}$ million in 1950. Also, despite the increase in the number of children under 10 years, the general level of the age of the population continued upward in the last decade. The median age in 1940 was 29 years; in 1950 it had

risen to 30.1 years. This trend toward a higher median age comes from the continued lengthening of life expectation, and this, in turn, is the result of better health conditions and the successful battle medical science has been waging on disease.

Another significant point is that now, for the first time in our history, females outnumber males in the United States. Moreover, the proportion of women in the labor force has shown an unusually large increase in the last decade. Chief impetus to this development was given by World War II labor shortages. Migration of women from the farm to the city,

where they were more likely to find jobs, is another factor in population change.

Trends in geographical distribution of the population can be shown in terms of changes in the labor force. In 10 years, the nation's labor force expanded by about 7 million, with a gain of nearly 2¼ million in the West. While the national increase was 13 per cent, the West's was 38 per cent. In the Northeast the increase was numerically large but amounted to only 6 per cent, while the increases in the North Central and South amounted to 12 per cent. Large-scale migration to the West was the chief factor in the record increase there.

—ROY V. PEEL. *Advertising Age*, May 12, 1952, p. 33:4.

SETTING UP A DISTRIBUTOR ADVISORY BOARD

MANY are the sales executives who tell distributors in all sincerity that "you are an important part of our sales organization." And an effort is made by the company to include the distributor and his salesmen in over-all company thinking. Yet, actually, there is little that the distributor is permitted to contribute except his normally accepted selling functions.

Those companies which have managed to make the distributor an integral part of the company sales force have benefited materially. They have found that there is much to be learned through the close contact the distributor has with the ultimate consumer. As a result of this trend toward closer cooperation and interchange of sales information, methods of working together have been developed.

One effective device that merits consideration by marketing executives interested in setting up a formal cooperating group is the distributor advisory board. Typical of the pattern of such a board

is the experience of The Henry G. Thompson & Son Company, New Haven, Connecticut.

The first major step taken by Thompson and the beginning of a closer manufacturer-distributor relationship was the decision to revise quantity brackets in Thompson's hacksaw blade retail schedule. The 35-year-old schedule was established before the advent of high-speed steel blades. Increased sales of these higher-priced blades made it necessary to adjust quantity brackets to meet today's pattern of sales.

Thompson asked nearly 100 of its Milford distributors to provide a complete detailed record of every order received during a specific month. This information showed how many orders distributors received for broken packages and full packages and also the number of times the same item was ordered during the period of study.

Management was astounded to learn

that nearly half of the sales made were in broken-package quantities. This information, gathered at its only logical source, resulted in radical changes and improvements in quantity bracket schedules and suggested retail prices.

On several occasions the distributors were again consulted for their opinions on such diversified subjects as: packing of hacksaw blades by tens and hundreds instead of by dozens and gross; quoting by list, discount, and net price; advantages of invoicing by net prices rather than by list and discount.

In all instances, Thompson received replies from about 90 per cent of the distributors consulted. Yet, management felt, there was still something missing. Said D. W. Northrup, company president:

We had not yet really made our distributors a part of our sales organization. . . . A Milford distributor organization could be created to act as a permanent advisory board

—Dartnell Sales Service, Chicago 40, Ill.

to be consulted on such matters as those on which they had already given invaluable counsel.

Approximately 175 invitations were sent to our distributors in all sections of the country, representing a portion of small, medium, and large distributors. The potential volume in a territory was considered also to obtain a true cross section of distributor opinion. The distributors showed enthusiastic approval and willingness to serve on the board and to have an active part in the creation of manufacturers' sales policies under which they must operate.

One problem was to establish a policy which would be for the greatest good for the greatest number. The advisory board is the answer to that problem. Naturally, some policies will not always win the approval of all distributors. But, those who oppose certain policy changes will know that they have had an opportunity to express their opinion. Those in the minority will recognize the fairness of establishing a policy based on the desire of the majority of distributors consulted.

No idea that we have ever conceived has had such universal appeal or enthusiastic acceptance by our distributors, as well as by many others.

Most Buyers Against Fair Trade, Survey Shows

WITH THE FAIR TRADE CONTROVERSY probably destined to go on and on, *Purchasing* magazine recently asked buyers throughout the United States what they thought of it. The results:

Almost nine out of 10 (87 per cent) think the principle of price fixing is inconsistent with the principles of competitive free enterprise.

Nearly as many (85 per cent) say their experience and observation would not support the fair trade proponent's claim that price cutting breeds monopoly by destroying weaker competitors.

Eight out of 10 (82 per cent) don't believe that price maintenance could strike the balance between price ceilings and price floors that Commerce Secretary Charles Sawyer has said is necessary under certain economic conditions.

Six out of 10 (64 per cent) say they would not be influenced against a particular product because of fair trade pricing.

The buyers split about evenly on whether or not manufacturers' suggested resale price lists can be maintained effectively if fair trade agreements are on a voluntary basis: 51 per cent said yes; 49 per cent, no.

Eight out of 10 (79 per cent) are against giving a manufacturer the right to control the pricing of his product after title has passed to the dealer.

—Tide 6/20/52

Also Recommended • • •

WHO PAYS—AND HOW MUCH—FOR DEALER IDENTIFICATION SIGNS? *Marketing* (100 Simcoe Street, Toronto, Canada), July 5, 1952. Though there is no standard policy for determining who pays for dealer identification signs supplied by national advertisers, the latter are likely to pay, in whole or part, for signs of dealers who have good outdoor advertising locations. This article discusses this and other factors which enter into the manufacturer's decision to pay for the sign and for its maintenance.

CHANGING CONCEPTS OF PACKAGING. By Christopher W. Browne. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), March, 1952. This article traces changing concepts of packaging over the past 25 years, noting in particular the increased use of research in determining package design and the trend toward planned packaging. It also points out the effect of new merchandising trends on packaging. The development of the self-service store, for example, required changes in package design and construction that would make for quick identification of the product and brand.

LEGAL DISTINCTIONS BETWEEN TRADE NAMES, TRADE-MARKS, COPYRIGHTS, PATENTS. By Leo T. Parker. *Purchasing* (205 East 42 Street, New York 17, N. Y.), April, 1952. This article gives the legal differences, determined by new higher-court decisions, between copyrights, patents, trade-marks, and trade names and points out the extent and limitations of legal protection afforded by each. Among the points brought out is that a corporation or manufacturer can prevent a competitor from adopting and using a similar trade name only if the first user's trade name is original and does not contain the name of the state, county, city, or street where the business is located.

ARE PRIVATE BRANDS RIDING HIGH AGAIN? IF SO, WHAT DOES IT MEAN TO MARKETING? *Tide* (232 Madison Avenue, New York 17, N. Y.), May 2, 1952. There are growing signs that unadvertised and store-promoted products may eat into the sales of nationally advertised brands. For example, unknown, unadvertised brands of frozen orange juice, selling well below national brands, have accounted for an estimated 55 per cent of the total orange juice concentrate business. This

article discusses the implications of this trend in several fields, and points out that the national advertiser's chief weapon is to do a better marketing job than his competitors—starting with the product and carrying right through to pricing, packaging, and advertising.

BE FAIR, BE PROMPT, BE HUMAN IN HANDLING COMPLAINTS AND ADJUSTMENTS. By Hector Lazo. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 1, 1952. Good public relations, says this author, are nothing more than the art of good business behavior. He lists six basic rules for restoring friendly relations with the customer who has a gripe and explains why they are important: (1) There is no such thing as a mass market—everyone is an individual; (2) the man who goes out to speak for you should know his product and his company; (3) keep your sense of humor and always retain the human touch; (4) don't discriminate between your customers; (5) be sure that you do not save public relations only for times of crisis; (6) avoid complacency.

25 YEARS OF PROGRESS IN THE MATERIALS OF PACKAGING. By Herbert T. Holbrook. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), March, 1952. This article traces the development and outlines the uses of various packaging materials. Particular attention is devoted to functional, flexible materials, such as cellophane, polyethylene, and aluminum foil. These, the author emphasizes, have done more than any other materials to change the character of packaging and package merchandising.

APTITUDE TESTS CUT TURNOVER 38 PER CENT FOR UNDERWOOD CORP. By W. F. Arnold. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 1, 1952. Careful research among Underwood's salesmen isolated traits which were typical of men who stayed with the company and made good. On the basis of these findings, special aptitude tests were developed, designed to spot the presence—or lack—of these traits in new applicants. It was felt that the plan would pay for itself if it reduced turnover by 5 per cent in one year, but it did far better: turnover was reduced 15 per cent the first year and 38.5 per cent in the first three years. Included in the article is Underwood's Qualifications Appraisal Chart.

Packaging

SELF-SERVICE—CHALLENGE TO PACKAGING

SELF-SERVICE and self-selection of hard and soft goods have handed the package a selling task of enormously expanded dimensions. Unfortunately, with merely a small handful of notable exceptions, the non-food package has failed quite dismally to measure up to its new job. Too many non-food packages still in use were designed for a type of retail floor layout and a calibre of floor selling that represent a rapidly waning era. Too few are planned ahead to the dawning day of self-service retailing of hard and soft goods.

Why does self-service—and self-selection, too—of non-foods shoot the package to the head of the store selling table? Here are only a few of the many reasons:

First, the greater the degree of self-service and self-selection, the less the personal selling on the retail floor. The less the personal selling—the more selling the package must do.

Second, mass retailers are tending more and more to mass display of merchandise to create the effect of enormous stocks, big assortments. The larger the total amount of merchandise shown—the greater the competition between the rival brands that are out on display.

Third, though advertising may pre-sell, as far as non-foods are concerned, the pre-selling is far from a completed transaction. In self-service and self-selection outlets, the final determination of brand is generally made right on the retail floor. The gap that always existed between pre-selling and the final sale was closed, in former years, by the sales person. Today

—and even more so tomorrow—it must be closed by the package.

Finally, the public is buying faster innumerable non-food items over which it formerly dilly-dallied. Many traffic appliances, for example, which formerly were bought after a considerable time expenditure are now purchased in a matter of a few moments. The faster the public buys—the more vital it is that the package get in its selling licks quickly.

How can the non-food package do a more effective selling job under self-service retailing? There are innumerable classifications of non-food products, and to offer specific package suggestions for such a huge assortment of merchandise is obviously impossible. However, the following general suggestions should enable the manufacturer to design a package which will be *ahead* of the changing times—rather than behind them:

1. Put more selling information on your package—the hang tag, in particular, is destined for large new responsibilities. And don't use copy that will be correctly criticized by retailers as being "typical national copy." Make it good "retail sell."

2. All copy must be readable from a distance, and by masses of people whose vision is not 20-20. It must be readable, too, not merely at eye level but when displayed at toe level. And it must be readable from various positions.

3. If pictures will help tell the story faster, more effectively—and they probably will—use illustrations. Spend as

much for them, if necessary, as for your national advertising art work; if anything, these illustrations are more important.

4. Don't disguise the product. A hardware package that makes the product look like a cosmetic isn't at all suitable for self-service retailing. But don't permit your package to resemble all competing packages; sensible distinctiveness is a huge plus.

5. Whatever you can legitimately do to create an impression of maximum quantity will always be decidedly worth while.

6. If your item is one that the public wants to see—or touch—design your package so this is possible. And if you use a transparent wrapping for this purpose, don't proceed to print all over it.

7. Remember—under self-service and self-selection your product may get more handling than it would reposing on an out-of-reach shelf. Plan it so as to lessen soiling, spoilage, etc.

—Grey Matter (Grey Advertising Agency, Inc., New York, N. Y.), August 15, 1952.

8. Test the size of your sales unit. Self-service and self-selection frequently play havoc with traditional sales units.

9. Be sure the package includes all essential facts—weight, size, color, quantity, etc. There may be nobody around to answer questions—or nobody around capable of answering questions.

10. If the package is to be price-marked by the retailer—design it so that he can do it conveniently.

11. Should your item be of a type that would be stacked in a self-service or self-selection store, don't design the package in a way that makes stacking difficult.

12. Show your brand name prominently.

13. If there is no sound merchandising reason for not putting your price on the package—put it on.

14. Give it sales appeal; loads of sales appeal.

A CHECKLIST FOR PACKAGE DESIGN

ONLY IF THE package designer knows the uses to which the package will be put and the treatment it will receive in the store, in transit, and in the warehouse will he be able to design a package that will meet the needs of the consumer and distributor. The following checklist should be helpful in determining these needs and also in evaluating the effectiveness of the present package design.

The Package in the Home

Is package immediately destroyed?

Is package used to store contents until used up? How long is this period?

Should package have a dispensing device?

What is average amount of contents used each time?

Is package designed for re-use?

Is package returnable?

Where in home is package stored? Before use? During use?

Where is package used?

Is package used later to store other material?

What effect do the foregoing have on size, color, material?

Is package for a new product?

Have any surveys been made of consumers?

The Package in the Store

What types of stores will sell package?

What class of customers do they serve?

Must package do most of selling?

Does package form part of display?

At what distance must package be identified?

How is identification of contents achieved?

What is rate of turnover?

Where is package kept in selling space?

How is package handled in stockroom?

What can be done to simplify handling of package?

Have opinions of distributors and dealers been canvassed?

The Package in Transit

How is package shipped? What types of carriers?

Are standard cartons or cases or crates used?

How do these factors affect dimensions?

What protective measures are required against temperature? Moisture? Shock? Pilferage? Vermin?

Have carriers any recommendations or standards to be considered?

The Package in the Warehouse

How is package stored?

How is it handled?

What are usual units of shipment?

How are inventories taken?

How long is package in warehouse?

What protective measures are required?

The Package at the Plant

In what form is packaging material received? Quantities? From whom? Where?

What are filling, wrapping, and labeling methods?

What types of machines are used?

What grades of employees are involved?

Package Design and Promotion

Is there a trademark of brand identification?

Is there a long-established type face?

Is there a standard color scheme?

What type of art work is used in advertising and display?

Are there radio programs?

Are there established customs in the industry that affect packages?

What other products are made?

What are competitors' packages like?

What packages by others present similar problems?

What are opinions of various departments?

The Package and the Law

What government requirements exist regarding size? Ingredients? Grades? Weight?

What trade customs exist within the industry?

What patent or copyright information is required?

Who Threw the Overalls in Mrs. Murphy's Chowder?

PERHAPS IT WAS the good lady herself! According to present plans of the textile industry to invade more and more supermarkets with prepackaged apparel, the housewife will soon be throwing ready-to-wear goods and groceries into the same market basket. According to Victor Lebow, marketing consultant in this field at the recent Annual Supermarket Institute, this new line may produce as much as 10 per cent of the gross sales of the individual self-service "food" store.

Financial Management

CONSUMER FINANCES—TRENDS AND PROSPECTS

THE SUBSTANTIAL increase in aggregate consumer income in 1951 was widely though unevenly distributed, according to the 1952 Survey of Consumer Finances. The findings suggest that nearly half of the approximately 53 million spending units in the population were making more money at the end of 1951 than at the beginning. Fewer than one-fifth were making less than a year earlier, which was as low a proportion as has been reported in any survey. Consumers, however, were considerably affected by increases in retail prices, income taxes, and the contractual payments involved in expanded indebtedness. Together, these absorbed much of the increase in money income before taxes. About as many people in early 1952 thought they were worse off financially than a year earlier as felt they were better off. Substantial maintenance, on balance, of consumer financial positions in 1951 was noteworthy in view of the marked expansion of the defense program.

Consumer spending, though at a very high level during 1951, was somewhat lower in relation to income than in other postwar years. Contributing to the moderation of spending in 1951 were the record stocks of durable goods in the hands of consumers and the feeling of a major part of the population that conditions were not favorable for purchases of large durable goods, primarily because prices were too high to provide good values.

Consumers expected, on balance, little

improvement in their financial positions or in market conditions in 1952. Increases in income were anticipated more frequently than decreases, but the proportion of consumers expecting prices to rise further was larger than the proportion expecting increases in income.

Prospects for 1952 indicated by survey findings were that consumer spending would continue at a moderate level in relation to income as long as the attitude prevails that prices are too high. Since the survey was conducted, declines in prices of many consumer durable goods have taken place, partly as a reaction to the curtailment of consumer demand. It is possible that these declines may change or may have changed people's views concerning the wisdom of purchases in 1952. If this occurs or if incomes rise more than was anticipated, purchases of major durable goods in the remainder of 1952 may be greater than was indicated by consumers earlier in the year. At the same time other prices and costs have risen and the volume of individual indebtedness has increased, exerting greater demands upon incomes.

Of particular interest during the current period of latent danger of inflation are the survey findings on consumer preferences in choosing investment outlets for their saving. Most consumers continued in 1952 to prefer to put their funds into savings accounts and savings bonds—that is, in types of assets whose value is relatively fixed. This preference was based mainly on considerations of

safety and liquidity. At the same time, the proportion of consumers who favor the type of investment that involves risk of fluctuating value of principal, such as common stock and real estate, increased somewhat, especially among people with

large financial resources. The growing preference for such assets was mainly because they were believed to yield a higher return, while the extent to which they were preferred as a hedge against inflation continued to be limited.

—*Federal Reserve Bulletin*, July, 1952.

THE COMMUNITY TRUST—AID TO CORPORATE GIVING

HUNDREDS of community chests and other charitable agencies, facing soaring costs and mounting budgets, have found a huge new almoner—the country's corporations. The latter, growing larger and wealthier, are becoming better targets, while the multiplying community chests, confronted by lower investment yields, reduced purchasing power, and the prior take of the tax-collector, are becoming better hunters.

How can corporate treasurers cope with the growing task of making, or not making, charitable gifts from company tills?

Guides, philosophers, and friends to corporations gripped in the throes of eleemosynary dilemmas are the Better Business Bureau, Contributors Information Bureau (in New York), and National Information Bureau. In a few cities there have been experiments in forming central "donation corporations" to handle charitable appeals for the participating firms. Other cooperative efforts have a functional rather than a geographical basis: companies in related businesses direct a portion of their donations—usually for research or scholarships—through industry-wide foundations such as the Nutrition Foundation, Sugar Research Foundation, American Foundation for Pharmaceutical Education, or National Vitamin Foundation.

A formidable number of concerns—International Harvester, Inland Steel, Bulova Watch, Sears Roebuck, and Ford Motor among them—have gone a step farther and organized their own charitable funds or foundations. The often-cited advantages of this device can be quickly summarized: Company contributions, and their custody and investment, receive centralized and responsible handling and accounting. The foundation office provides a convenient instrument for the selection of future donees or the review of prior grants. The level in the "foundation reservoir" can be raised in good years, allowed to fall in others. The tax-free status of gifts continues to apply to their proceeds if they become investments of the foundation. The precise purposes of outpayments can be decided subsequent to the time when gifts are made to the foundation.

There are many companies, however, which choose to refrain from creating, financing, and managing their own foundations, preferring to avail themselves of the services and facilities of already existing foundations which specialize in the management of charitable funds. Such agencies are commonly, though not necessarily, community trusts. A glance at the operations of one such organization—The New York Com-

munity Trust—may clarify the functions and services of community trusts generally.

The fund a corporation creates within this trust may bear whatever name its founder gives it. The donor's desires about the times and purposes of disbursements can be stated in the original instrument of gift or pinpointed later by letter as each outpayment is proposed. Full publicity—or some or none—can be accorded. In general, the basic terms on which all funds are accepted are spelled out in a "Resolution and Declaration of Trust" incorporated in each instrument of gift.

Several tasks are performed by the New York Community Trust. It aids the founder and his counsel in formulating the instrument of gift. Having previously obtained from federal and state governments certificates of tax exemption applicable to the trust itself, it prepares initial and annual reports to the Bureau of Internal Revenue. It applies for rulings of tax-exempt classification on each of the Trust's funds. It ascertains whether a proposed payee is eligible to benefit from a tax-free fund. It investigates prospective recipients and reviews results of prior grants. It publicizes a fund to the extent requested by the donor. It accompanies outpayments by communica-

tions specifying their purposes and identifying their donors. It does everything, in short, a separate foundation could do.

"What does it cost?" is an unfailing, and proper, inquiry. When funds are directed through the New York Community Trust, compensation is paid for services performed by the offices of the Trust and of the trustee—the latter a bank or trust company selected by the founder from among numerous eligible institutions.

The trustee is responsible for safekeeping, investment, and accounting and receives, in the absence of contrary agreement, a statutory scale of compensation. On a gift of, say, \$40,000 invested to yield $3\frac{1}{2}$ per cent, a trustee's annual statutory fee in New York is \$98. If the gift were 10 times as large, that commission would rise by about seven and a half times—because the statutory rate is 7 per cent on the first \$2,000 of income (with no charge on principal) and 5 per cent on additional income.

For costs incurred the Trust is compensated from the funds administered. Its varying range of duties makes a rigid cost formula impractical. However, it is interesting to note that on all administered funds during the last calendar year assessments by the Trust were under $\frac{1}{8}$ of 1¢ per dollar of resources.

—RALPH HAYES (Executive Director, The New York Community Trust).
Trusts and Estates, July, 1952. p. 492:4.

Old Agencies Never Die

THE NATIONAL CAPITAL SESQUICENTENNIAL COMMISSION, which made an attempt to have a sort of World's Fair in Washington in 1950, still has eight employees on its books. In fact, this government agency expects to spend about \$97,000 in 1953, three years after the Sesquicentennial was supposed to have been held. Though that \$97,000 is in the President's budget and is considered an essential expenditure, we can't help wondering how they can tie that one to national defense.

—*Shop News* of Heywood-Wakefield Co.

ACCOUNTING REPORTS THROUGH THE EYES OF MANAGEMENT

AS A BUSINESS grows, the services of its accounting department become more and more important to management. Effective accounting reports are the device by which operating management can reach into every corner of the organization and, in many instances, are the only means whereby management can guide and coordinate all phases of its operations. Both facts and figures must be properly presented and interpreted in these reports in order to give management the tools needed to do its job. The purpose of this article is to look at accounting reports as seen through the eyes of management and to point out how they can be improved.

The accounting department's reports are similar to the products of a manufacturing organization. After a product is assembled, it passes through a final inspection, at which time it receives its last test before shipment. The purpose of this test is to pinpoint any flaw in the quality of the product before it is released for consumption. Similarly, every report for management should also be inspected before it is released. There are four tests by which the effectiveness of these reports can be judged:

First: Could you take the proper managerial action based on the facts presented in the report, without further investigation?

If management is to be able to act on the basis of the report, without further investigation, the report must be accurate and complete and it must also interpret the facts presented. An accounting organization, in other words, must place itself in operating management's position and must recognize and clearly point out

the areas in which corrective action should be taken.

For example, an efficiency and performance report for manufacturing which shows the general trend of an efficiency percentage is not adequate for management action. A descending percentage of efficiency alone may merely indicate that various departments are affected by new and varying problems, such as new personnel, introduction of new products, new methods or new equipment. The report should show, therefore, not only the change in efficiency, but also the factors covering the change, so that proper action can be taken to correct the situation.

There are many ways of presenting adequately interpretative reports. Comparative statements, charts, and graphs are among these. Also, the accounting organization should feel free to depart from the practice of submitting formalized reports to management. Narrative summaries and recommendations will often give the flexibility required to increase the effectiveness of the reporting.

The second test for judging the effectiveness of an accounting report concerns operational know-how. As the report passes through the various stages of compilation and interpretation, it is important that the accounting organization apply its knowledge of the company's operations, and thus avoid eliminating significant facts. The members of the organization who deal with the routine assembly of information are in the best position to recognize the development of important trends in their own areas of activity. If their observations are passed along with the information they are compiling, then the task of interpretation and proper

evaluation at the highest level of the accounting organization is simplified.

Third, if reports are to be effective they should be revised, and their frequency of issue appraised, at suitable intervals. A stagnant schedule of reports which invariably follow the same rigid pattern is an indication that benefit is not being gained from past experience. Only by change and experimentation can the real value of any report be discovered.

The fourth test of the effectiveness of reports concerns those which top management does not see. Reports which call a supervisor's attention to the need for corrective action as early as possible, to eliminate a condition which would otherwise ultimately need higher-level action, fall into this category.

For example, in one company a routine departmental expense budget report, directed to the supervisor of a department which used diamond cutting wheels,

showed a significant increase in expenditures for abrasives. The information presented in the report indicated to the supervisor that the replacement of diamond cutting wheels had increased sharply. Investigation revealed that the operators were feeding the wheel too heavily. The speed and depth of cut was too great. The condition, which had developed as a result of an attempt to reduce an abnormal backlog of work, was immediately corrected.

While the total effect of this one condition in one department would obviously not come to the attention of top management on a summary expenditure report, the combined effects of numerous conditions such as this would eventually require attention at upper levels. Thus, by providing supervisors with necessary information, effective operational reports serve the best interests of all members of management.

—W. L. LEWIS. *N.A.C.A. Bulletin* (National Association of Cost Accountants), June, 1952, 1172:7.

Cash in the Pocket

AMERICANS have been carrying bigger bankrolls since the war—or perhaps have been stashing more currency in the mattress—than ever before in history. The total of currency now outside the banking system is equivalent to around \$400 for every member of the working population, including the armed forces. The comparable figure in 1939 was only \$115, while through the prosperous 'twenties the total currency in circulation outside banks was never more than the equivalent of \$100 for every person in the working population.

What makes this expansion all the more unusual is that an increasingly large part of the money in circulation consists of bills of denominations that most people would not ordinarily use in everyday transactions. For example, bills of \$20 and more now make up more than three-fifths of all the cash outstanding, as against less than half before the war. And \$100 bills alone, of which there are more than \$5 billion now outstanding, represent nearly one-fifth of the total money in circulation.

Cash in circulation has also increased considerably more, proportionately, than have bank deposits. The total of currency outside banks is now the equivalent of about one-seventh of all bank deposits in the nation, including savings accounts and postal savings, a ratio nearly half again as great as prevailed before World War II.

—Commerce 7/52

Also Recommended • • •

ACCOUNTING TREATMENT OF VACATION WAGES.

By Raymond H. Armor. *N.A.C.A. Bulletin* (National Association of Cost Accountants, 505 Park Avenue, New York 22, N. Y.), April, 1952. The relative merits of various accounting methods used for controlling and reporting vacation wages—the incidence, accrual and cost applications of which frequently pose problems for the accountant—are considered in this article. The author also examines the problem of accounting for such costs when an entire plant is shut down for the vacation period, when a bonus is paid in lieu of vacations, and when a definite liability for vacation pay, where none existed before, is created by a new union contract.

LIFO EVALUATION OF INVENTORIES.

By Robert M. Trueblood. *The Internal Auditor* (120 Wall Street, New York 5, N. Y.), June, 1952. If price levels continue to rise, tax savings can be realized by electing the LIFO method of accounting for inventory. However, the decision to adopt this method must be made by each taxpayer in the light of his own particular circumstances, the author emphasizes. This article facilitates such decision by outlining the problems underlying LIFO adoption and by pointing out the advantages and disadvantages of this method.

LOOKING BEYOND THE CUSTOMER'S BALANCE SHEET.

By Sidney S. Smiley. *Credit Executive* (71 West 23 Street, New York 10, N. Y.), June, 1952. Credit executives in those companies which are attempting to expand their sales outlets may have to extend credit far in excess of what the customer's balance sheet would ordinarily justify. In these cases the credit executive must decide, chiefly by appraising the caliber of the customer's management, whether the risk is justified. This article discusses the various yardsticks that can be used in such an appraisal, chief among which are the types of inventory, production, and cost controls set up by the management under consideration.

STOCKHOLDER SUMMARY.

Forbes (80 Fifth Avenue, New York 11, N. Y.), August 1, 1952. Ownership of American industry broadened substantially during 1951: For the year ending December 31, 1951, combined rosters of stockholders of 460 corporations showed a net increase of 5.1 per cent. This article presents a list which compares the number of stockholders in 1950 and 1951 within those United States corporations with assets in excess of \$50 million.

STEPS IN OPENING NEW ACCOUNTS.

By R. R. Geisler. *Credit and Financial Management* (33 South Clark Street, Chicago 3, Ill.), July, 1952. Because working capital is tight as a result of new high tax rates credit managers should be doubly careful in extending credit, especially to small firms. Precautionary steps to follow in setting up new accounts are outlined in this article. They include using reliable sources of information to check credit ratings and asking salesmen's help in checking on smaller accounts.

YOU CAN HELP YOURSELF IN RENEGOTIATION.

Steel (Penton Building, Cleveland 3, Ohio), July 7, 1952. If World War II trends continue, renegotiators will reclaim from American business \$1.6 billion on the \$30.3 billion paid out for 1951 defense contracts. This article points out how defense contractors can help themselves in renegotiation by selecting a good man to represent them and by presenting the kind of facts that carry the most weight with renegotiators. The contractor, for example, should be prepared to prove the reasonableness of present costs and profits through comparisons with costs and profits of previous years and with those of other contractors.

THE SIGNIFICANCE OF PRODUCTIVITY DATA.

By John Diebold. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1952. The purpose of this article is to clear up some of the misunderstandings concerning the meaning and measurement of productivity, to underline recent variations in productivity, and to show how "productivity (or man-hour) accounting" can aid management in business planning. This type of accounting, the author points out, can be used to provide a clear picture of what is happening in the production process, keep track of inventories, and help adjust employment schedules.

INVESTING FOR PROFIT.

By George C. Astarita. *The Commercial and Financial Chronicle* (25 Park Place, New York 7, N. Y.), June 12, 1952. The author discusses such investment topics as the proper selection of securities, the factors to consider in replacing securities presently held, and the means of assuring safety of principal, income, and appreciation. He stresses the value of diversification in security holdings and also discusses the various types of investment companies and the services they can render to the uninitiated investor.

Insurance Management

WHAT THE INSURANCE BUYER EXPECTS FROM HIS AGENT

WHAT does the insurance buyer expect from his agent? He expects the agent, above all, to be completely familiar with his needs and to devise coverages which will fit them exactly.

If the agent is to meet these requirements, he must begin his planning long before he has the account in his care. In the pre-approach period he should make a study of the basic problems of the industry or business of which his prospective client is a part. This will include such factors as the history and projectible future of his client's industry; the normal and special sources of supply; production, advertising, sales, and distribution methods; turnover rate and availability of additional working capital; managers or officers—their ability and general spheres of authority; and the physical facilities and their technological level.

The agent should then obtain or design a general purpose questionnaire and plan additional sections for specific industries. From it he will diagnose the existence of exposure, anticipate its possible and probable effect and extent, and suggest the means by which the exposure may be abated, assumed, or insured.

The questionnaire cannot be put to maximum use unless the agent makes an actual premises inspection for the purpose of analyzing and recording the exposures. In the course of the inspection it is most important that the agent not only consider physical factors but learn how inventories, buildings, machinery, and equipment are valued.

Are inventories valued on a basis which will produce true cost or selling price, as

required, in the event of loss? What record is kept of cash on hand? What is the practice as regards checks? Are they recorded by payor and bank so that they may be identified if the bank loses them in the mail to a clearing house or a correspondent? What is the cost of reconstructing the books of accounts and other valuable papers?

Very few clients will have a complete premium and loss record. If an agent is to render full service, he cannot neglect recommending the establishment of such a record, if for his own information only. Analysis of past losses may point out other potential losses.

The content of the completed questionnaire must be boiled down to insurable exposures, which leads to the next step, auditing the policies currently in effect.

In reviewing the existing insurance, the agent must be wholly sincere. If a policy form completely fits the clients' needs, it must be so noted. Should the coverage appear to require broadening, two matters must be considered. Is it mechanically possible to obtain the flexibility desired by the amendment? Will the original cost plus that of amendment be greater than the cost of an entirely new form? Depending upon the answers to these questions, he will recommend policy changes or policy replacement.

The agent must also know when and how deductibles and excess of loss covers may be used. He must be courageous enough to recognize and, if advisable, recommend self-insurance or, in fact, risk assumption.

In every account there is a ceiling on insurance expenditures. If a client can afford to purchase only a limited amount of insurance, the agent must follow the maximum possible loss principle. He should not permit the client to spend his money on plate glass or auto material damage and leave his liability exposures uncovered. The client should be made aware of the relative importance of the various coverages.

A very important duty of the agent is to keep abreast of claim practices. He should know why a questionable claim was accepted and why an apparently legitimate claim was refused. He should review the case reserves set up on workmen's compensation claims to be sure

that they are eliminated when the claim fails of proof or is dropped by the claimant. He should be satisfied that reserves are adequate and not excessive.

Above all, the agent should help his client analyze his problems, whether he operates a small business or is the corporate insurance administrator of a large industry. He should consider with the insurance buyer the effect of a casualty on his or his company's well-being. He should obtain insurance where insurance is necessary, or make the insurance buyer accept the responsibility for the lack of it. In brief, he must fit the insurance to his client's needs, going outside of his normal channels, even abroad, if necessary.

—From an address by RUSSELL B. GALLAGHER (Philco Corporation) before the Pennsylvania Insurance Educational Conference.

A CURRENT CHECKLIST FOR PENSION PLANNING

NOT so many years ago, an employer considering the adoption of a pension plan was concerned chiefly with the question of where he was going to get the money. Today, he is confronted with so many questions that he doesn't know where to start, and, ironically, if he is in the excess profits tax bracket, the question with which he is probably least concerned is the cost.

The purpose of this article is to provide a checklist of the more important questions that must be considered and steps that must be taken before a pension plan goes into effect. This checklist should be useful both to the employer who does not now have a plan and to one who is considering changing a plan now in effect. It should also serve as a reminder to an employer who expects pensions to be a

subject of collective bargaining to do his planning well in advance of the negotiations to permit unhurried and objective thinking on the many long-range decisions that have to be made.

These are the basic questions that must be answered:

Should the plan include all employees, or should hourly and salaried employees be covered under different programs?

Should a minimum age or period of service be a prerequisite to participation?

Should the benefit be inclusive of Social Security, thus providing for automatic cost savings in the event of an increase in government benefits?

Should the benefit depend on an employee's earnings or only on his service; should "vesting" of benefits be contingent

upon satisfying certain age and service requirements?

Should the plan be contributory; should employees be asked to contribute on their total earnings, or perhaps just on that portion of earnings in excess of \$3,600 per year?

When should employees retire; should retirement be compulsory at a particular age, or should retirement be voluntary? Should benefits be increased for service beyond the stated normal retirement age?

What will happen to the funds of the plan if it ever becomes necessary to terminate it; should there be an order of priority for the allocation of the plan's assets among employees and pensioners?

Pertinent to these decisions will be the cost, which the employer must consider from many different angles: What is the actual net cost after considering the tax relief available for contributions to a pension plan approved by the Internal Revenue Bureau? Would it be necessary to increase the cost of the product if the plan were adopted? What is the likely trend of costs in future years?

If pensions are an issue in current union negotiations, or if they soon will come up for bargaining, these considerations assume importance: Is this a propitious time to offer a plan to union employees; or are other bargaining features so much more important that an attempt should be made to put pensions off until later negotiations? Should the pension plan be in the form of a separate agreement; or should it merely constitute one section of the labor contract? Is there any chance that the plan would become invalid in some state because it is tied to other terms of a labor contract that are not acceptable according to certain state laws? Does the plan satisfy government requirements as to permanency:

If it is included in a short-term labor contract, tax deductions may be extremely limited if certain precautions are not taken.

A decision must also be made on how the plan is to be financed. Here are the principal choices:

Pay-as-you-go: Monthly pension payments are made to each retired employee without any funding for active employees. This method involves the smallest current expense, but leaves the way open for tremendous costs in the future when the company may least be able to bear them.

Terminal funding: Each employee's pension is fully funded at the time he retires. This method also involves a small current cost, but one which grows rapidly in future years.

Advance funding: Pension benefits are funded as they accrue, and additional payments are made periodically toward liability for past years of service. In this way costs can be kept fairly level from year to year, and the company can usually get maximum tax deductions currently.

Assuming the employer has decided on a program of advance funding, he is faced with the question of who will administer the fund. An insurance company? A trust company? If he decides on an insurance company, will he use the conventional Group Annuity type of contract, or the Deposit Administration type? There are strong arguments in favor of each method of financing, and careful thought should be given to this decision.

Having decided upon the method of financing, the employer must then choose a particular insurance company or bank. If the plan is insured, there will be a lengthy contract to review, and there will probably be many provisions he will

want to have adapted to his needs. If the plan is trustee, there are several decisions to be made before a trust agreement can be drawn with the bank. For example: To what degree will the investment policy be left to the judgment of the trustee? May an unlimited percentage of the fund be invested in common stocks? May investment be made in securities of the employer?

A pension plan is not to be undertaken lightly. Despite its complexity, however, it is becoming more and more an inherent feature of a corporation's method of compensating its employees. With proper guidance from experts in the field, a sound pension plan can be established to the satisfaction of the company, the employees, the stockholders, and everyone else concerned.

—M. M. DENKER and C. T. FOSTER. *The Journal of Commerce*, June 12, 1952, p. 12:2.

Compulsory Retirement: A Survey

A COMPULSORY RETIREMENT AGE is set in 92 per cent of the pension plans of 61 very large companies, according to a study of retirement plans made at Columbia University. In addition to these 61 plans, the study covered eight large railroads whose employees are covered by the Railroad Retirement Act, which sets no automatic retirement point. However, two of the roads require retirement at 70, and the rest have what amounts to compulsion, for they require that the employee forfeit supplementary pension benefits if he decides to continue work after the age of 65 (or 70), and they may require him to take a physical examination.

Even though, on the average, women outlive men, many of the plans require women employees to retire at an earlier age than men. Of the 58 companies, including two railroads, that specify compulsory retirement, age 65 is by far the most frequent for men, while for women 60 is nearly as frequent:

	55	60	65	68	70
Men	0	1	42	4	11
Women	2	19	26	4	7

—*Weekly Labor News Memorandum* (New York State Department of Labor) 7/2/52

Explaining Pension Plans to Employees

EMPLOYERS are investing substantial sums in pension plans, but they are doing very little to realize the highest possible return on that investment in form of employee good will and cooperation, Charles D. Spencer, editor of the *Employee Benefit Plan Review*, points out in a new 16-page booklet entitled "How to Explain Your Pension Plan to Employees."

The booklet is designed to assist employers in preparing effective booklets explaining pension and retirement plans to their employees, and includes a number of examples of methods used by leading firms. It is available from the *Employee Benefit Plan Review*, 166 West Jackson Boulevard, Chicago, Ill., without charge for single copies.

—*Insurance Advocate* 5/19/52

PROVIDING GROUP COVER FOR RETIRED WORKERS

INCREASING attention is being given the problem of continuing life, hospitalization, surgical, and medical insurance for retired employees. Simply to ignore the problem by considering the cost of such coverage as part of the over-all active employee group insurance cost is not sound practice. Unless a definite policy is established, an employer may eventually find that a substantial portion of his group premium dollar is going toward the payment of coverage for retired workers, and he may, as a result, be tempted to cancel the entire program.

In recent years employers who study their group insurance costs carefully have tended to establish fixed rules in regard to the continuation of group life insurance on retired employees. Thus some pension plans provide death benefits after retirement by guaranteeing the benefits over at least a 10-year period. Under some individual policy insured plans part of the pre-retirement insurance is continued on a paid-up basis. Under group annuity plans there is a tendency to use a standard 10-year certain guarantee in regard to retirement benefits, with joint and survivor options available if the employee so elects. Under self-insured plans the general trend appears to be to quote retirement income on a life annuity basis but to give the employee the choice of selecting a refund method, such as 10-year certain or a joint and survivor option. Under some union contracts the employee is provided \$1,000 or more "paid-up" life insurance when he retires. In most cases "paid-up" means that the employer assumes the cost and continues the policy on an annual term basis.

The tax situation in regard to group

life deters the use of any but annual renewable term group contracts in those cases where the employer pays the entire cost. Payments made by the employer for group term life are deductible for income tax purposes, and the value of the protection is not considered taxable income to the employee. However, if paid-up values are provided, such as under group permanent or paid-up contracts (actually paid-up), the value of such payments is considered taxable income to the employee, though they are deductible by the employer.

The problem of continuing hospitalization and surgical insurance protection on employees after retirement is particularly acute—since such costs are steadily increasing. One approach to the problem from a cost standpoint is to limit coverage for oldsters to the maximum coverage during a 12-month period. In other words, younger employees under a plan may be covered for 31 days of hospitalization and surgical costs for each time they are disabled during the year. Under the restricted contract for oldsters, however, coverage over the entire year is restricted to the one-time maximum. In short, if the oldster is in the hospital for 31 days in January and the policy year is January 1 to December 31, he can't recover for subsequent hospitalization during the rest of the year.

Another approach would be to provide paid-up hospital-surgical coverage to the retired employee. Group hospitalization-surgical insurance is basically an annual term coverage, however; if paid-up coverage were provided at retirement there would have to be a change in the basic operation. In other words, a certain per-

centage of the premium would have to be set aside for a permanent reserve somewhat on the same basis as an ordinary life insurance policy is written. There again the employee would be taxed on the value of the payment. Currently, employer payments for group hospitalization and surgical are not considered taxable income to the employee.

The general tax principle in regard to employer deductions for insurance costs is that he can deduct only the current year cost in the year the premium is paid. Thus any extensive system of hospitalization-surgical reserves to take care of the needs of retired employees might have to be established from after-taxes funds by the employer. Obviously, this would not be popular.

For a firm with a pension plan, a profit-sharing contingency fund idea for retired persons might be worth considering. It could provide that a lump sum be held to meet medical cost contingencies and that any balance credited to the employee be paid him in the form of monthly income. Of course, such a plan would be a budgeting rather than an insurance plan, but it would give the pensioner some satisfaction to know that he had a lump sum on which to draw if he were hospitalized and faced substantial hospital and doctor bills. The profit-sharing fund might even be used to buy hospitalization-surgical insurance for the pensioner.

It might be advisable to consider some

method of funding the hospitalization-surgical final expense costs of retired persons, just as it is advisable to fund a retirement plan. Social security advocates want to provide hospitalization insurance for those receiving retirement benefits. Even some of those people who feel that the voluntary commercial insurance methods of providing hospitalization-medical-surgical coverage for active employees are far superior to any of the proposed government methods recognize that voluntary methods are limited to those who have the ability to pay premiums.

One of the difficult decisions in regard to the government social insurance versus individual-initiative commercial or voluntary insurance problem is how far the anti-governmental plan adherent can depart from his fundamental attitude. If he agrees to medical-hospital social security coverage for pensioners, will the social security adherents use this as a "foot in the door" to extend such coverage to those actively employed?

The problem of providing for medical needs of pensioners is one that can't be ignored. The social security method is the easiest way to alleviate it. Whether it is the soundest way is open to question. If those opposed to the social security approach don't come up with some satisfactory alternative, they won't be able to resist the demands of the social security adherents much longer.

—*Employee Benefit Plan Review*, Vol. VII, No. 1, p. 42:5.

AMONG FATAL OCCUPATIONAL ACCIDENTS, falls ranked first, accounting for 18 per cent, according to the Metropolitan Life Insurance Company; motor vehicle fatalities followed close behind with 15 per cent. Machine injuries and mishaps in mines and quarries each contributed an additional 13 per cent. Fatal injuries in railroad accidents ranked next with 7 per cent of deaths.

—*Canadian Business* 7/52

Small Employers Pay High Percentage of Pension Costs

THE AVERAGE SMALL EMPLOYER pays a high percentage of the cost of pensions, according to a preliminary report on a survey of insured pension plans covering less than 100 employees, which is being conducted by Charles D. Spencer & Associates, Inc., Chicago.

Of the first 94 plans analyzed, 53 provide that the employer pay 100% of the cost. The employer pays 80% of the cost of nine plans, and two-thirds of the cost of another nine plans. Only one plan is on a 50-50 cost basis, where the costs are quoted on a proportionate basis. The employer pays 85% of the cost under three plans, 65% on two, and one each is on the following basis: 97%, 72%, 70%, 60%.

Under nine plans the employee pays a percentage of his earnings to the pension plan while the employer pays the balance. Of these, four require a 3% contribution by the employee, three 2%, one 4% and one 5%. Under another method, both the employer and employee contribute a fixed percentage of the employee's earnings, the employer paying a higher percentage. Three plans on this basis were: 6% (employer), 2% (employee); 5½%-3½%; and 8%-4%.

Increased Use of Deferred Income Plans

NEARLY \$700,000,000 of the policy benefits going to life insurance policyholders and beneficiaries in 1951 were set aside with their life companies to be paid out as income, according to the Institute of Life Insurance.

This income use of life insurance has increased materially during the past decade. In 1941, the total benefits set aside for income payment were less than \$400 million. Ten years before that, the total was below \$100 million, and in 1920 less than \$20 million was set aside by policyholders and beneficiaries for income payment.

Although there is always some need for lump-sum payment of life insurance proceeds—for mortgage repayment, estate shrinkage, loans, outstanding bills, and taxes—basic family planning usually calls for some policies which will pay out as income, either for a period of readjustment or the duration of an educational plan or for life.

—*Journal of Commerce* 7/10/52

Life Insurance Payments Hit All-Time High

PAYMENTS WERE MADE to American families by their life insurance companies in 1951 at the rate of \$126 every second and \$10,917,000 every day, according to the Institute of Life Insurance.

The year's aggregate payments were \$3,984,835,000, the greatest amount ever paid in any single year. This was more than a quarter of a billion over the year before and \$1,192,111,000 more than was paid five years before.

Of the total, 57 per cent went to living policyholders for such payments as matured endowments, disability, annuities, policy cash surrender values and dividends. These "living benefits" amounted to \$2,275,434,000, a rise of \$134,513,000 over the previous year and \$763,072,000 more than five years before.

Death benefit payments were \$1,709,401,000 in 1951. This was \$119,657,000 more than in 1950 and \$429,039,000 more than in 1946.

—*The Weekly Underwriter* 5/10/52

Also Recommended • • •

PENSION ADMINISTRATORS REPORT METHODS USED IN CHECK-UP ON PAST SERVICE. *Employee Benefit Plan Review* (166 West Jackson Blvd., Chicago 4, Ill.), Mid-Year, 1952. Once a pension or retirement plan is established, it is advisable to set up a systematic procedure for ascertaining past service credits. This may present a problem if payroll records are inadequate or if an employee has put in service with an acquired company. This article discusses how various companies cope with these difficulties, also outlining their policies or service credit in cases involving leave of absence and military leave.

CURRENT LEGISLATIVE DEVELOPMENTS IN WORKMEN'S COMPENSATION. By Andrew Kalmykow. *Transactions of Legal Conference—16th Annual Meeting.* (Industrial Hygiene Foundation of America, Inc., Mellon Institute, Pittsburgh 13, Penna.), November 14, 1951. In 1931 only 11 states provided compensation for occupational diseases; today all but five states provide such compensation. This article reviews some of the more important phases of recent occupational disease legislation and also discusses the possibility that under broad interpretations of these laws in some states employers may be held liable for injuries to employees caused by enemy attack.

OPTIONAL PLANS OF PAYING RETIREMENT BENEFITS PROVIDED UNDER PENSIONS. *Employee Benefit Plan Review* (166 West Jackson Blvd., Chicago 4, Ill.), Mid-Year, 1952. Many retirement plans offer the pensioner the option of receiving his benefits on a joint and survivor basis, usually with the stipulation that he elect such a benefit prior to retirement. This article discusses the benefits provided by various firms under the joint and survivor clause and also outlines their requirements in regard to the election of the option.

ATLANTIC ON BENEFITS AND DANGERS OF CO-INSURANCE: ACTUAL CASH VALUE. *The Eastern Underwriter* (93 Nassau Street, New York 38, N. Y.), August 15, 1952. This article, based on a booklet entitled "Benefits and Dangers of Coinsurance," issued by the Atlantic Mutual and Centennial, tells how coinsurance works and suggests how the property owner can avoid its pitfalls. Since, under a coinsurance clause, the actual cash value of the property is the common basis for determining how much the insurance company will pay in the event of loss, the property owner should

have a reliable appraisal made of his holdings and then consult his broker as to the amount of insurance needed to give him adequate coverage.

DISASTER CAN STRIKE YOU . . . BUT YOU CAN CUT THE DAMAGE. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), June, 1952. Few communities are ever called upon to face a catastrophe comparable to the July, 1951, flood at Kansas City, Kans.; however, adequate insurance and disaster planning are essential to industry everywhere. This article embodies the experience and advice of 51 Kansas City plant managers summarized under the following headings: authority, transportation and traffic control, communications, community or area organization, in-plant emergency plans, protection and salvage of equipment, plant records, temporary facilities, public relations, and employee relations. A detailed account of how two Kansas City firms have set up disaster plans is included.

PENSION ROLL DILEMMA. By Dorrance C. Bronson. *Trusts and Estates* (50 East 42 Street, New York 17, N. Y.), June, 1952. This article considers the dilemma which today confronts those employees drawing pensions based on pre-inflation wage scales. These employees cannot expect a cost-of-living increase under a funded company plan, and they can expect occasional increases through Social Security only if the company plan is one that does not deduct the Social Security benefit in determining the pension payment. One solution, discussed in detail by the author, is enactment of a more sensible and more comprehensive Social Security law than now exists, the benefits of which could be supplemented by private pension plans.

DETERMINATION OF INSURANCE VALUES. By Allen C. Guy. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), May 3, 1952. The term "actual cash value," as used in the insuring clause of the fire policy, is not a value from which deductions are to be made, but rather the result of numerous considerations both as to additions and deductions, and the net result of replacement less various factors. In this article, the author analyzes those factors, including types and causes of depreciation, and arrives at a concise statement of the basic principles of indemnity.

Briefer Book Notes

[Please order books directly from publishers]

EMPLOYMENT AND RETIREMENT IN AN AGING POPULATION—A BIBLIOGRAPHY. By Arthur N. Turner. Baker Library Reference List No. 10, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass., 1952. 50 pages. \$1.00. This annotated bibliography has been selected from a larger listing, with more extensive annotations, compiled in connection with a research project concerning the industrial implications of increasing longevity. The literature of the subject is presented under five headings: "Background Material," "Job Performance," "Employment," "Retirement," and "Bibliographies."

CUMULATIVE VOTING FOR DIRECTORS. By Charles M. Williams. Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass., 1951. 194 pages. \$3.00. Clearly explains the technical problems and mechanics of cumulative voting—a means whereby minority groups of investors may obtain representation of their interests along with other groups concerned with the welfare of the enterprise. The author cites first-hand evidence to show how cumulative voting has worked out—both favorably and unfavorably—from the stockholder's and from management's viewpoints, in specific companies. Since further extension of this practice seems likely, Professor Williams' findings should prove useful to management, to directors, and to stockholders in companies which do not now permit the right to cumulate as well as to those in companies where the right exists but has never been exercised.

PENSION PLANNING IN THE UNITED STATES. By Rainard B. Robbins. Edited by William C. Greenough and distributed by the Teachers Insurance and Annuity Association of America, 522 Fifth Avenue, New York 36, N. Y., 1952. 197 pages. \$2.00. Dr. Robbins, on his death in February, 1951, left unfinished the extensive study of pension planning in the United States which he had been making under a Carnegie Foundation grant. The material edited by Mr. Greenough and here presented includes Part I (complete) of Dr. Robbins' manuscript—a historical analysis of the efforts of employers and employees in private, public, and non-profit organizations to establish suitable pension arrangements—and the only finished section (on objectives in pension planning) of Part II, which was to have discussed the principles involved in planning for retirement income.

ACCOUNTING TRENDS AND TECHNIQUES IN PUBLISHED CORPORATE ANNUAL REPORTS. American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y. 176 pages. \$10.00. Presents the results of the Institute's fifth annual survey of the accounting aspects of 525 corporate annual reports, including excerpts from and comments upon unusual accounting treatments found in 600 additional reports. Significant accounting trends as reflected in these reports are disclosed in the comparative tabulations included in the study. The data presented are grouped under five major headings: Certified Financial Statements, The Balance Sheet, The Income Statement, Retained Earnings, and The Accountant's Report.

THE INVESTMENT COMPANY AND THE INVESTOR. By Rudolph L. Weissman. Harper & Brothers, New York, 1951. 217 pages. \$3.50. The investment company—an avenue of investment offering the average investor the advantages of widely diversified security holdings—is becoming an increasingly important factor in the field of finance. Here is a lucid explanation of the operation of the investment company and the possibilities open to both large and small investors. The author describes the earlier experience with this type of investment in England and in America; he reviews the record of some of the leading companies today; and he discusses in detail the policies followed and the results achieved by the two major types of organization, the "closed-end" and the "open-end" company. A helpful guide for the investor who is seeking to combine reasonable security of principal with regular dividend yield.

Prevention is the essence of the job . . .

AMA FALL INSURANCE CONFERENCE

NOVEMBER 13-14

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CHICAGO

THERE are few executives in the corporation as alert to the need for sound loss prevention measures as the insurance manager. Every day reports of losses that might have been prevented come across his desk.

The November Conference, through discussion and exhibits, will highlight this important area of insurance management interest, pointing out what a successful prevention program can mean in savings to your company.

In addition, there will be a round-table discussion of one of the most pressing problems to face insurance managers today—the question of what is happening to the excess market and where are the available sources of this insurance in the amounts needed. Subjects to be discussed—in formal presentations and in panel discussions—include:

- Appraisal Techniques for Determining Insurable Values
- Accounts Receivable and Destruction of Records Insurance
- Loss Prevention as a Factor in Insurance Costs
- Changes in the Manufacturers Output Policy
- Where and How to Buy Excess Insurance
- Dangers to Business in Contractual and Assumed Liability

AGAIN—AT REPEATED DEMAND:

The Insurance Workshop Exhibit

The initial workshop exhibit held in New York at the meeting last May resulted in a flood of letters asking for a repeat performance. So, for the first time in Chicago, AMA will hold this display of company insurance manuals, insurance certificates, reports to management, loss report forms, educational bulletins, with new material gathered from hundreds of companies all over the country.

A BIG PLUS: A loss prevention exhibit by several different insurance associations in the fields of fire; casualty, including automobile; workmen's compensation; and fidelity. Each organization will show, in specially prepared displays, the most common causes of loss and ways to prevent their occurrence. Executives from the Associations will be on hand to answer any of your questions.

AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street

New York 36, N. Y.

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Past Chairman of the Board

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Term Ending 1953

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Term Ending 1954

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Term Ending 1955

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* Member of Executive Committee.